

CANSORTIUM INC.

(the “Company” or the “Issuer”)

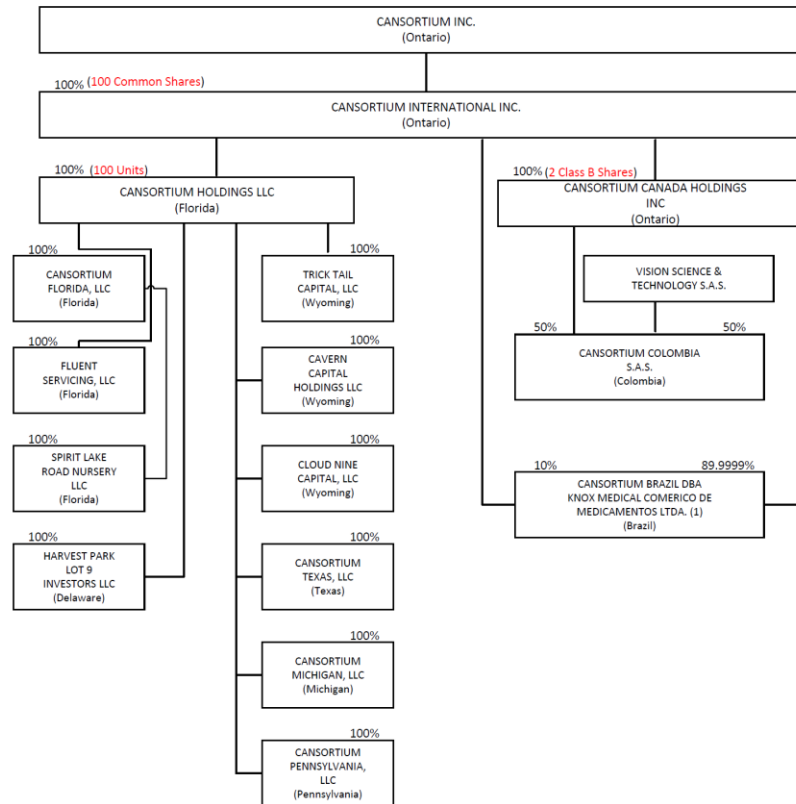
Form 2A
LISTING STATEMENT
May 5, 2021

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		28. Schedule "C"
	Corporate Structure 2.1 Name	CANSORTIUM INC.
	2.2 Incorporating Statute	The Company was incorporated under the laws of the Province of Ontario, Canada pursuant to the <i>Business Corporations Act</i> (Ontario) on August 31, 2018.

2.3 Intercompany Relationships



	Information Required by Form 2A Listing Statement	Issuer Response
	2.4 Requalifying / Fundamental Change	Not applicable
	2.5 Non-corporate / non-Canadian Issuers	Not applicable
3.	General Development of the Business 3.1 Development of business over past 3 financial years (and subsequent period)	<p>Cansortium Inc. was incorporated under the laws of the Province of Ontario, Canada pursuant to the Ontario Business Corporations Act. ("OBCA") on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137.</p> <p>On March 22, 2019, the Company acquired all shares of Cansortium Holdings LLC ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF".</p> <p>The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania. The Company also has a cultivation facility in Michigan through its in-market partner.</p> <p>In Florida, the Company's primary market, the business is operated by Fluent Servicing, LLC f/k/a Knox Servicing, LLC (Fluent Servicing, LLC), full ownership of which was acquired by Cansortium Holdings on August 15, 2018. Fluent Servicing operated twenty-four dispensaries in the State of Florida as of December 31, 2020.</p> <p>During the year ended December 31, 2019, the Company discontinued its operations in Puerto Rico, Canada and Colombia and, as a result, classified the assets and liabilities associated with these operations as held for sale, measured at the lower of carrying amount and fair value less costs to sell, and has disclosed such assets separately in the statement of financial position (See Note 7). Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the consolidated statements of operations.</p> <p>All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the years ended December 31, 2020 and 2019 were generated in the United States.</p>

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		<p>Florida Most of the Company's existing business takes place in the State of Florida. As of the date of this Listing Statement, the Company operates one cultivation and production facility in Tampa, FL (the "Tampa Facility"), and a cultivation and production facility in Zolfo Springs, FL (the "Sweetwater Facility"). The Tampa facility is approximately 22,000 sq. ft. of indoor cultivation which includes 20,160 sq. ft. of flowering canopy over 6 levels. The Sweetwater Facility currently is approximately 26,000 sq. ft. of indoor cultivation, production, and administrative space. An additional 40,000 sq. ft. greenhouse is expected to be completed in the second quarter of 2021.</p> <p>As of the date of this Listing Statement, the Company operates 24 dispensaries throughout the State of Florida. An additional three locations are in various stages of construction and regulatory approval expected to open by the end of 2021. The Company expects to continue to grow its retail footprint in Florida with a total of 33 dispensaries anticipated to be operational by the end of 2022. In the State of Florida, the Department of Health, Office of Medical Marijuana Use (the "Department") issues licenses to Medical Marijuana Treatment Centers to cultivate, process and sell medical cannabis (referred to as an "MMTC License"). The Company operates under an MMTC License issued to Spirit Lake Road Nursery, LLC, a wholly-owned indirect subsidiary of the Company.</p> <p>Texas The Company owns and operates 1,300 sq. ft. of cultivation space in climate and humidity-controlled C-containers which includes 1,920 sq. ft. of flowering canopy over 2 levels. Currently, the Company only sells in Texas via home deliveries. The Company has rights to expand the cultivation facility up to 400,000 additional sq. ft. as demand requires. Current legislation in Texas allows for legal access to medical cannabis products containing up to 0.5 percent THC for patients coping with a broader list of chronic medical conditions and diseases including epilepsy, seizure disorders, multiple sclerosis, spasticity, amyotrophic lateral sclerosis, autism, and terminal cancer.</p> <p>Pennsylvania The Company currently operates one dispensary and is licensed to operate up to three dispensaries in the south-central region of Pennsylvania for the sale of medical cannabis only. This dispensing permit allows for the purchase of finished products from permitted processors in the Commonwealth of Pennsylvania. Two additional dispensaries in the south-central region of Pennsylvania are expected to be operational by the end of 2021.</p> <p>Michigan In October 2018, the Company partnered with Green Standard Holdings LLC and Green Standard, Inc. (collectively, "Green Standard") to acquire cultivation from Green Standard. The current operation is an outdoor cultivation facility in Bangor, Michigan. Green Standard currently holds 1 Class C Medical Cultivation Licenses and 2 Class C Adult Cultivation Licenses which, in total, allows for the cultivation of up to 5,500 plants at the Bangor facility.</p>

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	<p>3.2 Significant Acquisitions and Dispositions</p>	<p><u>ACQUISITIONS</u></p> <p>- None</p> <p><u>DISPOSITIONS or PROPOSED DISPOSITIONS</u></p> <p>Puerto Rico The Company discontinued its operations in Puerto Rico during the year ended December 31, 2019, as part of its strategic decision to focus its resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Puerto Rican business are classified as held for sale on the Company's December 31, 2019 financial statements. The sale of the Puerto Rican business closed on April 28, 2020.</p> <p>Canada During the year ended December 31, 2019, the Company discontinued its Canadian operations in order to reduce operating expenses and focus its resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Canadian business are classified as held for sale on the Company's December 31, 2019 financial statements. The sale of the Canadian business closed on May 29, 2020.</p> <p>Colombia The Company discontinued its operations in Colombia during the year ended December 31, 2019 in order to reduce operating expenses and focus the Company's resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Colombian business are classified as held for sale on the Company's December 31, 2019 financial statements. On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Cansortium Inc. previously issued to acquire 100% of Cansortium Colombia, and thereby reducing its ownership of Cansortium Colombia to 50%. The Company's current investment in Cansortium Colombia is classified as investment held for sale on the Company's December 31, 2020 financial statements.</p>
	<p>3.3 Material trends, commitment, event, uncertainty</p>	<p>COVID-19 Economic Impact on the Company's Business</p> <p>The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic, pandemic or other public health crisis, including the COVID-19 pandemic. Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. As a result, the Governments of Canada and the U.S. have instituted various recommendation and laws to help limit its spread. This has resulted in, among other things, supply chain issues, a decrease in availability of production materials, transportation</p>

	Information Required by Form 2A Listing Statement	Issuer Response
		<p>delays, personnel shortages, changes in customer demand for the Company's products, increased government regulations or interventions, and ongoing economic uncertainty, all of which has impacted the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 pandemic is unknown at this time. The Company continues to monitor COVID-19 developments and its production facilities have continued operations.</p>
4.	Narrative Description of the Business 4.1 Description of business	<p>The objective of the business is the development of a vertical integrated approach (seed- to-sale) for the sale and distribution of processed cannabis oil in, to date, medical use frameworks. Cannabis is a flowering plant from which marijuana products (buds, leaves and oil) are derived.</p> <p>The Company has direct operations and involvement in the cultivation, processing and sale of cannabis in select states in the United States and to date has focused on the medical cannabis markets in the United States. Excluding U.S. federal law, the Company will not operate in jurisdictions that have not legalized cannabis.</p>
	4.1(1)(a) Objectives within 12-month period	<p>2021 Outlook</p> <p>The Company has continued to make progress on its targeted initiatives focused on growth and long-term shareholder value creation and is projecting revenue of \$90 million to \$100 million and Adjusted EBITDA of \$30 million to \$35 million for 2021.</p>
	4.1(1)(b) Significant event or milestone that must occur for business objectives to be accomplished, time period for occurrence and costs	<p>The foregoing financial targets and guidance for 2021 are based on the following assumptions, among others:</p> <ul style="list-style-type: none"> • The Florida operation is expected to have a full year of retail dispensary activity in 2021 in twenty (24) locations. • Increase in Florida production in connection with operations in the new Sweetwater facility. • Opening of additional two dispensaries in Pennsylvania • Sale of the remaining 2020 crop in Michigan and the 2021 crop

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	related to each event	
	4.1(1)(c) Total funds available and breakdown of funds	<p>The Company had a cash balance of \$3,392,000 as of December 31, 2020. The use of these funds is to fund expansion in markets where the Company has an established footprint and market share.</p> <p>The Company's preliminary consolidated working capital as of December 31, 2020 was \$(7,557,000).</p>
	4.1(1)(d) Principal purposes for which funds will be used	<ul style="list-style-type: none"> • Expand cultivation space in Florida to meet current and anticipated demand • Invest in equipment to continue to improve on production efficiency and manufacturing capacity
	4.1(2)(a) Methods of distribution and principal markets for products and services	<p>In Florida, the Company's products are sold only through its dispensaries to registered medical marijuana patients in the state.</p> <p>In Pennsylvania, the Company sources its products from growers and processors in Pennsylvania for sale in the Company's dispensary to registered medical marijuana patients in the state.</p> <p>In Texas, the Company distributes its products through home-delivery to patients registered medical marijuana patients in the state.</p>
	4.1(2)(b) Information concerning production and sales	Please see Schedule B.

	Information Required by Form 2A Listing Statement	Issuer Response
	4.1(2)(c) Information concerning the development of products and services	<p>The Company's medical cannabis products are offered in oral drops, capsules, suppositories, topicals, syringes, dried flower, prerolls, cartridges and edibles. All of its products are marketed under the Fluent™ brand name, which was launched in May 2019 to convey the Company's commitment to gaining a deeper understanding of cannabis' potential positive impacts on human health and wellness. Prior to the launch of the Fluent brand the Company had operated under the Knox Medical™ brand. In October 2020 the Company commenced sales of edibles in each of its Florida dispensaries. The Company expects to continue to expand its edibles offerings to meet patient demand. In Pennsylvania, the Company's product portfolio includes a variety of third-party branded medical cannabis.</p>
	4.1(3)(a) Proposed method of providing services	<p>Not applicable</p>
	4.1(3)(b) Lease or Mortgage Information	<p>The Company has entered into leases for its each of its cultivation, processing and dispensary facilities.</p>
	4.1(3)(c) Specialized skill and knowledge requirements	<p>Not applicable</p>
	4.1(3)(d) Sources, pricing and availability of raw materials, component parts or finished products	<p>Not applicable.</p>

	Information Required by Form 2A Listing Statement	Issuer Response
	4.1(3)(e) Intellectual property, Intangibles	The Company has applied for trademark registration for CANSORTIUM and FLUENT in the United States.
	4.1(3)(f) Seasonality of the business	Not applicable
	4.1(3)(g) The impact on operations of termination or renegotiation of contracts in the 12 months following the date of the Listing Statement	<p>On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing units and amended on January 1, 2019 (the "Amended Note") as well as the terms pertaining to the Equity Price Guarantee (see Note 13). The amendment extended the maturity date to December 1, 2022, including any principal payments and deferred cash payment of interest until April 1, 2020. In addition, at the option of the holder of the Amended Note, the Amended Note is convertible into common shares of the Company at any time at a price of \$0.60 per share. Furthermore, the Company amended the terms of the Equity Price Guarantee. In connection with the January 16, 2020 promissory note restructuring, the Company recorded a loss on debt restructuring of \$8,065</p> <p>On August 15, 2020, the Company extended the maturity date of the 10M Convertible Note to December 31, 2020 and issued 4,361,071 common shares of the Company at a deemed value of \$0.45 per common share in satisfaction of all unpaid interest on the \$10M Convertible Note accrued up to August 15, 2020 in the amount of \$1,962. The Company has also agreed to pay an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10M Convertible Note as at August 15, 2020, satisfied by the Company through the issuance of 265,824 common shares of the Company at \$0.45 per share to the noteholders on a pro-rata basis</p>
	4.1(3)(h) The impact of environmental protection requirements	<p><i>The Company's and its subsidiaries' operations are subject to environmental regulation in the various jurisdictions in which they operate.</i></p> <p>These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.</p>

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		<p>Government environmental approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.</p> <p>Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, and/or remedial actions. The Company and its subsidiaries may be required to compensate those suffering loss or damage due to its operations and may have civil and/or criminal fines or penalties imposed for violations of applicable laws or regulations.</p>
	4.1(3)(i) Number of employees	Number of Employees = 363
	4.1(3)(j) Foreign operations risks	<p><i>Reliance on International Advisors and Consultants</i></p> <p>The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices, differ from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep apprised of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.</p> <p><i>Investments in emerging markets are subject to heightened risk as compared to investments in developed markets</i></p> <p>Emerging market investment generally poses a greater degree of risk than investment in more mature developed markets because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.</p> <p>We intend to derive an increasing portion of our revenue from emerging markets (such as South America and Eastern Europe). Our operations in these countries are exposed to political and economic risk, including risks relating to change in government policy. We are accordingly subject to a</p>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>number of risks stemming from exchange-rate controls, change in exchange rates, inflation, problems with the repatriation of foreign earnings, dividends and investment capital (which would hinder the payment of dividends or other distributions to shareholders), as well as political instability in these countries.</p> <p>Global economic crises could negatively affect investor confidence in emerging markets or the economies of countries in South America or Eastern Europe. Such events could materially and adversely affect the Company's business, financial condition and results of operations.</p> <p>In addition, we may find ourselves unable to defend our rights appropriately before the courts of these countries, particularly within the framework of litigation with the state or with state-controlled entities.</p> <p>Investments in emerging markets are subject to heightened risks and the Company may be adversely affected by, among other things, the following risks associated with emerging market economies:</p> <ul style="list-style-type: none"> • political and social instability; • government involvement, including, but not limited to, currency controls and risk of expropriation; • securities markets that are less liquid and which operate under different trading and market regulations; • difficulties in enforcing contractual rights; • currency volatility; • risk of high inflation; • infrastructure issues; • arbitrary and sudden changes to laws; • corruption, bribery, civil arrest, all of which may negatively impact and disrupt business operations; • greater susceptibility to commodity prices; and • greater susceptibility to the economic performance of trading partners. <p>The systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which Canadian issuers are subject. Therefore, shareholders in such companies may not receive many of the protections available to shareholders in Canada.</p> <p>Securities laws in many emerging market countries are relatively new and unsettled. In addition, laws regarding foreign investment in emerging market securities, securities regulation, title to securities and shareholder rights may change quickly and unpredictably. Further, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent and subject to sudden change.</p>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>A crisis in other emerging markets countries could dampen investor enthusiasm for securities of issuers with emerging market operations. Investments in foreign markets also carry potential exposure to the risk of political upheaval, acts of terrorism and war, and/or expropriation by governments; all of which could have an adverse impact on the value of the securities.</p> <p><i>Difficulty in Enforcement of Judgments</i></p> <p>We are a holding company and the majority of our assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company's subsidiaries, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Investors may be effectively prevented from pursuing remedies against the Company's subsidiaries under Canadian securities laws or otherwise.</p> <p>The Company has subsidiaries incorporated in Colombia, Brazil, and Australia. Certain directors and officers, including our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in Colombia, Brazil, and Australia.</p> <p>Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in an international jurisdiction agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by the law in the international jurisdiction.</p>
	<p>4.1(3)(k) Dependence on contracts</p>	<p>The Company is dependent upon its licenses for its ability to grow, store and sell medical cannabis and other products derived therefrom in the jurisdictions where licensing is required and such licenses are subject to ongoing compliance, reporting requirements and renewal.</p> <p>Although the Company believes it will meet the requirements for future renewals of its licenses, there can be no guarantee that government bodies will renew any applicable license or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Should the Company or any subsidiaries fail to comply with the requirements of an applicable license or should a</p>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>regulatory authority not renew a license when required, or renew an applicable license on different terms or revoke a license, there would be a material adverse effect on the Company's business, financial condition and results of operations.</p> <p>Government licenses are currently, and in the future may be, required in connection with the Company's and its subsidiaries' operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company and its subsidiaries may be prevented from operating and/or expanding their business, which could have a material adverse effect on the Company's business, financial condition and results of operations.</p>
	<p>4.1(3)(l) The impact on operations of termination or renegotiation of contracts in the current financial year</p>	<p>On January 31, 2021, the Company extended the maturity date of the \$10M Convertible Note to December 1, 2022 and issued 1,263,407 common shares of the Company in satisfaction of all unpaid interest on the \$10M Convertible Note accrued up to January 31, 2021 in the amount of \$569. The Company has paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10M Convertible Note as at January 31, 2021, satisfied by the Company through the issuance of 234,857 common shares of the Company at \$0.45 per share and 5,000,000 warrants to the noteholders on a prorata basis (see Note 15). Each warrant is exercisable at \$0.60 until December 1, 2022. The Company redeemed \$5 million of the \$10M Convertible Note on May 5, 2021.</p> <p>On January 31, 2021, the Company transferred all of its interest in Consortium Australia PTY, LTD to its existing partners for the aggregate consideration of \$0.01.</p> <p>On April 5, 2021, the Company issued \$11.8 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.</p> <p>On April 9, 2021, the Company issued another \$5.2 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.</p> <p>On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of \$71 million. The Term Loan will bear interest of 13% semi-annually, with a 4-year maturity and is callable in 18 months. In connection with the transaction, 12.5 million warrants with an exercise price of \$1.20 were granted. Subject to certain conditions of the agreement, the Company has the ability to increase the Term Loan by up to US\$20 million.</p>

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	4.1(4) Competitive conditions in principal markets and competitive advantage	There are currently 24 medical marijuana treatment center licenses issued in the state of Florida, with an estimated 33 dispensaries anticipated to be operational by end of 2022.
	4.1(5) Lending operations, investment policies and lending and investment restrictions	Not applicable
	4.1(6) Bankruptcy, receivership or similar proceedings	Not applicable
	4.1(7) Material reorganization	<p>Prior to March 15, 2019, the Company and Consortium Holdings LLC completed certain reorganization transactions (collectively the "Reorganization"). As part of the Reorganization, a new Ontario corporation, Consortium ExchangeCo Inc. ("Newco 1") was incorporated to effect a unit for share exchange with the current unitholders of Consortium LLC, and a second new Ontario corporation, Consortium International Inc. ("Newco 2") was incorporated as a wholly owned subsidiary of the Company and amalgamated with Newco 1, pursuant to a three-corner amalgamation, to form the new amalgamated corporation ("Amalco").</p> <p>As a result of the Amalgamation, all of the issued and outstanding shares of Newco 1 were cancelled and Amalco became a wholly-owned subsidiary of the Company.</p> <p>Upon the completion of the Reorganization, the senior management and board of directors of Amalco remained the same.</p> <p>There are no material reorganizations anticipated for the upcoming financial year.</p>

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	4.1(8) Social or environmental policies	Not applicable
	4.2 Disclosure by issuers with asset backed securities	Not applicable
	4.3 Disclosure by issuers with mineral projects	Not applicable
	4.4 Disclosure by issuers with oil and gas operations	Not applicable
5.	Selected Consolidated Financial Information	See Schedule "A"
	5.1 Annual Information – Financial data for the last 3 completed financial years and any subsequent	See Schedule "A"

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	period where financial statements have been prepared, accompanied by discussion	
	5.2 Quarterly Information – for 8 most recently completed quarters	See Schedule “A”
	5.3 Dividends – Restrictions on paying dividends and dividend policy	The Company has not declared any cash dividends or distributions for any of our securities and no such dividends or distributions are contemplated for the current financial year or the foreseeable future. As of the date of this Listing Statement, there are no restrictions that prevent the Company from paying dividends on its Shares. The Company currently intends to retain future earnings, if any, to finance the expansion of its business through organic growth acquisitions or joint-venture arrangements. Any future decision to pay dividends on the Company’s Shares will be made by the Board on the basis of the earnings, financial requirements and other conditions existing at such time.
	5.4 Foreign GAAP	N/A
6.	Management’s Discussions and Analysis (“MD&A”) <u>Annual MD&A</u>	See Schedule “A”

	Information Required by Form 2A Listing Statement	Issuer Response
	Interim MD&A	N/A
7.	Market for Securities 7.1 Exchanges / quotation / trade reporting systems	1. <u>Canadian Securities Exchange</u> - TIUM.U - TIUM.WT.U (No longer listed as of March 22, 2021)
8.	Consolidated Capitalization 8.1 Material change and effect on share and loan capital since recently completed fiscal year	<p>On April 5, 2021, the Company issued \$11.8 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.</p> <p>On April 9, 2021, the Company issued another \$5.2 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.</p> <p>On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of \$71 million. The Term Loan will bear interest of 13% semi-annually, with a 4-year maturity and is callable in 18 months. In connection with the transaction, 12.5 million warrants with an exercise price of \$1.20 were granted. Subject to certain conditions of the agreement, the Company has the ability to increase the Term Loan by up to US\$20 million.</p>

	Information Required by Form 2A Listing Statement	Issuer Response				
		Name of Optionee	No. of Optioned Shares ⁽¹⁾	Exercise Price	Original Date of Grant	Expiry Date
9. Options to Purchase Securities 9.1 Options to purchase securities		David Abrams	22,222	US\$2.00	March 21, 2019	March 21, 2024
		Neal Hochberg	22,222	US\$2.00	March 21, 2019	March 21, 2024
		John McKimm	22,222	US\$2.00	March 21, 2019	March 21, 2024
		Todd Buchman	600,000	US\$2.00	March 21, 2019	March 21, 2024
		Brian Lagerwerf	7,720	US\$2.00	March 21, 2019	March 21, 2024
		Jennifer Weessies	7,720	US\$2.00	March 21, 2019	March 21, 2024
		Alan Feldman	20,000	US\$0.44	December 31, 2019	The date that is 2 years from the Grant Date.
		Neal Hochberg	540,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		John McKimm	540,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		David Abrams	540,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and

	Information Required by Form 2A Listing Statement	Issuer Response				
						(ii) the date that is 5 years from the Grant Date.
		Todd Buchman	2,000,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Samantha Senne	500,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Marcos Pedreira	500,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Natalia Velasco	150,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Oswaldo Graziani	100,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.

	Information Required by Form 2A Listing Statement	Issuer Response				
		Mark Batievsky	100,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Maria Velandia	50,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Chadwick Martin	50,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Jonathan Mitchell	75,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Jorge Ferra Hernandez	100,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.

	Information Required by Form 2A Listing Statement	Issuer Response				
		Jonathan Ramirez	100,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Christine Senne	50,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Ingrid Bermudez	25,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Charles Carlson	75,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Eric Byron	10,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Mariangela Galles	10,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and

	Information Required by Form 2A Listing Statement	Issuer Response				
						(ii) the date that is 5 years from the Grant Date.
		Rene Cancel Diaz	10,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Ricardo Sabatino	25,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Stephanie Johnston	25,000	US\$0.44	December 31, 2019	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Mark Martino	205,000	US\$0.44	February 13, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Kristen Hayes	20,000	US\$0.44	February 13, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to

	Information Required by Form 2A Listing Statement	Issuer Response				
						hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		John Lemak	75,000	US\$0.44	February 13, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Zola Global Investors Ltd.	3,000,000	USD\$0.255	May 4, 2020	The date that is 3 years from the Grant Date.
		James Deweese	150,000	US\$1.00	May 19, 2020	The date that is 3 years from the Grant Date.
		David Abrams	600,000	US\$0.40	May 26, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Neal Hochberg	600,000	US\$0.40	May 26, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		John McKimm	600,000	US\$0.40	May 26, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.

	Information Required by Form 2A Listing Statement	Issuer Response					
		Roger Daher	600,000	US\$0.40	May 26, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.	
		Marcos Pedreira	300,000	US\$0.315	July 7, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.	
		Robert Beasley	1,750,000	US\$0.295	October 6, 2020	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.	
		David Abrams	500,000	US\$0.77	January 22, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.	
		Neal Hochberg	500,000	US\$0.77	January 22, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.	
		John McKimm	500,000	US\$0.77	January 22, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and	

	Information Required by Form 2A Listing Statement	Issuer Response				
						(ii) the date that is 5 years from the Grant Date.
		Roger Daher	500,000	US\$0.77	January 22, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Christine Senne	135,000	US\$0.75	February 5, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Liora Boudin	120,000	US\$0.75	February 5, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.
		Patricia Fonseca	250,000	US\$0.79	March 9, 2021	The earlier of: (i) the date that is 30 calendar days following the date on which the individual ceases to hold his/her position; and (ii) the date that is 5 years from the Grant Date.

	Information Required by Form 2A Listing Statement	Issuer Response
10 .	Description of the Securities 10.1 Description of all material attributes and characteristics of each class of equity securities	<p>The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Proportionate Voting Shares. Each Proportionate Voting Share is convertible, at the option of the holder, into 10 Common Shares.</p> <p>Generally, the Common Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Corporation as if they were shares of one class only. Proportionate Voting Shares, or fractions thereof, may at any time, at the option of the holder and subject to certain restrictions, be converted into Common Shares at a ratio of ten (10) Common Shares per Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share, or fraction thereof, carries ten (10) votes per share (compared to one vote per Common Share) and is entitled to dividends and liquidation distributions in an amount equal to ten (10) times the amount distributed in respect of each Common Share.</p> <p>If an offer is being made for Proportionate Voting Shares (a “PVS Offer”) where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the Articles, at their option, to convert their Common Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.</p> <p>In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than ten (10) (an “Odd Lot”) will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.</p>
	10.2 Description of debt	Not applicable

	Information Required by Form 2A Listing Statement	Issuer Response
	securities being listed, if any	
	10.4 Description of other securities being listed	Not applicable
	10.5 Modification of terms or amendment or variation of any rights attached to securities being listed	Not applicable
	10.6 Limitations or qualifications on rights attaching to securities being listed as a result of other classes of securities	<p>The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Proportionate Voting Shares. Each Proportionate Voting Share is convertible, at the option of the holder, into 10 Common Shares.</p> <p>Generally, the Common Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Corporation as if they were shares of one class only. Proportionate Voting Shares, or fractions thereof, may at any time, at the option of the holder and subject to certain restrictions, be converted into Common Shares at a ratio of ten (10) Common Shares per Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share, or fraction thereof, carries ten (10) votes per share (compared to one vote per Common Share) and is entitled to dividends and liquidation distributions in an amount equal to ten (10) times the amount distributed in respect of each Common Share.</p> <p>If an offer is being made for Proportionate Voting Shares (a “PVS Offer”) where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the Articles, at their option, to convert their Common Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are</p>

	Information Required by Form 2A Listing Statement	Issuer Response																	
		<p>tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.</p> <p>In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than ten (10) (an “Odd Lot”) will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.</p>																	
	10.7 Prior Sales	<table><tr><th>Date of issuance</th><th>Type of security issued</th><th>Number of securities issued</th><th>Price per security (\$)</th><th>Value received (\$)</th><th>Type of transaction</th></tr><tr><td>8/4/2021 April 8, 2021</td><td>Units (each Unit is comprised of (1) Common Share and one-half purchase warrant (Two purchase warrants entitles the holder to purchase one (1) additional Common Share at \$0.90 USD up to 2 years from the date of issuance.)</td><td>7,499,999 Units</td><td>\$0.70 USD</td><td>\$17,100,000 USD</td><td>Private Placement</td></tr></table>						Date of issuance	Type of security issued	Number of securities issued	Price per security (\$)	Value received (\$)	Type of transaction	8/4/2021 April 8, 2021	Units (each Unit is comprised of (1) Common Share and one-half purchase warrant (Two purchase warrants entitles the holder to purchase one (1) additional Common Share at \$0.90 USD up to 2 years from the date of issuance.)	7,499,999 Units	\$0.70 USD	\$17,100,000 USD	Private Placement
Date of issuance	Type of security issued	Number of securities issued	Price per security (\$)	Value received (\$)	Type of transaction														
8/4/2021 April 8, 2021	Units (each Unit is comprised of (1) Common Share and one-half purchase warrant (Two purchase warrants entitles the holder to purchase one (1) additional Common Share at \$0.90 USD up to 2 years from the date of issuance.)	7,499,999 Units	\$0.70 USD	\$17,100,000 USD	Private Placement														
	10.8 Stock Exchange Price	Not applicable																	
11.	Escrowed Securities	ESCROWED SECURITIES																	

Information Required by Form 2A Listing Statement	Issuer Response																																												
11.1 Table of escrowed securities	<p>Restricted shares are issued and outstanding shares that are subject to a Company escrow agreement requiring achievement of certain performance or service metrics to release such restrictions. Restricted shares activity for the Company for the year ended December 31, 2020 is as follows:</p> <table><tr><th></th><th>Restricted shares</th><th>Grant date fair value per unit</th><th>Aggregate intrinsic value</th></tr><tr><td>Balance as of December 31, 2017</td><td>-</td><td>\$ -</td><td>\$ -</td></tr><tr><td>Granted</td><td>11,166,850</td><td>2.75</td><td>30,709</td></tr><tr><td>Balance as of December 31, 2018</td><td>11,166,850</td><td>\$ 2.75</td><td>\$ 30,709</td></tr><tr><td>Vested</td><td>(2,169,749)</td><td>2.75</td><td>(5,967)</td></tr><tr><td>Forfeited</td><td>(50,000)</td><td>2.75</td><td>(138)</td></tr><tr><td>Balance as of December 31, 2019</td><td>8,947,101</td><td>\$ 2.75</td><td>24,605</td></tr><tr><td>Balance as of December 31, 2019</td><td>8,947,101</td><td>\$ 2.75</td><td>\$ 24,605</td></tr><tr><td>Vested</td><td>(905,364)</td><td>2.75</td><td>\$ (2,490)</td></tr><tr><td>Forfeited</td><td>(5,914,468)</td><td>2.75</td><td>(16,265)</td></tr><tr><td>Balance as of December 31, 2020</td><td>2,127,269</td><td>\$ 2.75</td><td>5,850</td></tr></table> <p>During the year ended December 31, 2019, the 648,545 shares issued for the acquisition of the remaining membership units of Consortium Puerto Rico, LLC and the 1,000,000 shares issued for the acquisition of Green Standard vested.</p> <p>During the year December 31, 2019, 84,091 restricted shares issued for employee compensation and 437,113 shares issued for professional services vested and 50,000 shares issued for employee compensation forfeited.</p> <p>During the year ended December 31, 2020, 905,364 shares of restricted stock vested.</p> <p>During the year ended December 31, 2020, 5,914,464 shares of restricted stock were forfeited, resulting in an adjustment to the statement of operations of \$713.</p>		Restricted shares	Grant date fair value per unit	Aggregate intrinsic value	Balance as of December 31, 2017	-	\$ -	\$ -	Granted	11,166,850	2.75	30,709	Balance as of December 31, 2018	11,166,850	\$ 2.75	\$ 30,709	Vested	(2,169,749)	2.75	(5,967)	Forfeited	(50,000)	2.75	(138)	Balance as of December 31, 2019	8,947,101	\$ 2.75	24,605	Balance as of December 31, 2019	8,947,101	\$ 2.75	\$ 24,605	Vested	(905,364)	2.75	\$ (2,490)	Forfeited	(5,914,468)	2.75	(16,265)	Balance as of December 31, 2020	2,127,269	\$ 2.75	5,850
	Restricted shares	Grant date fair value per unit	Aggregate intrinsic value																																										
Balance as of December 31, 2017	-	\$ -	\$ -																																										
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Balance as of December 31, 2020	2,127,269	\$ 2.75	5,850																																										

	Information Required by Form 2A Listing Statement	Issuer Response								
12.	<p>Principal Shareholders</p> <p>12.1 Principal Shareholders as of specified date not more than 30 days before date of listing</p>	<p>No person will be the direct or indirect beneficial owner of, or exercise control or direction over, more than 10% of the Common Shares and/or Proportionate Voting Shares on an as-converted basis, except for the following:</p> <p>As of May 6, 2021, to the knowledge of the Directors and executive officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control over, Shares carrying 10% or more of the voting rights attached to any class of Shares of the Corporation, except as follows:</p> <p>- None..</p> <p>Of total O/S</p> <p>Notes:</p> <p>(1) Based on information provided on the System for Disclosure by Insiders (SEDI) and on information filed by third parties on the System for Electronic Document Analysis and Retrieval (SEDAR).</p> <p>(2) On an issued and undiluted basis, not giving effect to the exercise of securities convertible, redeemable or exchangeable into Common Shares held by such person, as applicable.</p> <p>William Smith, as controlling and beneficial holder of Sage Investing, LLC and CanEndeavour, LLC. Based on information filed on SEDAR, has beneficial ownership of, or control or direction over a combination of Shares and securities convertible into Shares carrying 10% or more of the voting rights attached to Common Shares of the Corporation.</p>								
13.	<p>Directors and Officers</p> <p>13.1 Name, municipality of residence, position(s) within past 5</p>	<table><tr><th>Name and municipality of residence</th><th>Director/officer since and position with Company/Cansortium LLC</th><th>Principal occupation for past 5 years</th></tr><tr><td>Neal Hochberg Hollywood, Florida</td><td>Director, Chairman</td><td>Vice President of Charles River Associates since 2019. Senior Advisor of FTI Consulting prior to that</td></tr></table>	Name and municipality of residence	Director/officer since and position with Company/Cansortium LLC	Principal occupation for past 5 years	Neal Hochberg Hollywood, Florida	Director, Chairman	Vice President of Charles River Associates since 2019. Senior Advisor of FTI Consulting prior to that		
Name and municipality of residence	Director/officer since and position with Company/Cansortium LLC	Principal occupation for past 5 years								
Neal Hochberg Hollywood, Florida	Director, Chairman	Vice President of Charles River Associates since 2019. Senior Advisor of FTI Consulting prior to that								

	Information Required by Form 2A Listing Statement	Issuer Response		
	years of each director and officer	David Abrams New York, New York	Director	Head of Investments and Strategy for Harris Blitzer Sports Entertainment. Senior Managing Director of Cerberus European Capital Advisors, LLP from 2016 to 2018; Managing Partner of Apollo European Principal Finance Funds from 2007 to 2016
		John McKimm Toronto, Ontario	Director	President, Chief Executive Officer and Chief Information Officer of Smart Employee Benefits Inc. (TSXV: SEB) since 2012
		Roger Daher Markham, Ontario	Director	Owner/partner in seven Ontario Pharmasave® pharmacies
		Samantha Hymes Davie, Florida	Executive Vice-President Operations since September 2017	Compliance Director of Consortium LLC
		Henry Batievsky Miami, Florida	Chief Financial Officer from February 2016 to March 2021, Chief Production Officer since October 2019	Director and Chief Financial Officer of Consortium Holdings
		Todd Buchman Miami, Florida	Chief Legal Officer since April 2019, Corporate Secretary since October 2019	Associate General Counsel and Senior Vice President of Sun Capital Partners, Inc. from 2006 to 2018

	Information Required by Form 2A Listing Statement	Issuer Response		
		Patricia Fonseca Miami, Florida	Chief Financial Officer since March 2021	Chief Financial Officer of The Service Companies Inc. from 2011 to 2021.
	13.2 Term of office of directors	1 year		
	13.3 Number and percentage of securities owned	The Directors and Officers, as a group, beneficially own or control, directly or indirectly, an equivalent of 14,650,493 Common Shares (on an as-converted and non-diluted basis), representing 7.8% of the issued and outstanding Common Shares (on an as-converted and non-diluted basis).		
	13.4 Board committees and members	<p><u>Audit Committee</u></p> <ol style="list-style-type: none"> David Abrams Neal Hochberg John McKimm <p><u>Board of Directors</u></p> <ol style="list-style-type: none"> Neal Hochberg David Abrams John McKimm Roger Daher <p><u>Special Committee</u></p> <ol style="list-style-type: none"> Neal Hochberg (Chair) David Abrams John McKimm 		

	Information Required by Form 2A Listing Statement	Issuer Response						
	13.5 Principal occupation if that occupation is acting as a director or officer of another company	<p>The following directors of the Company are currently directors or officers of other reporting issuers:</p> <table><tr><th>Name of Director</th><th>Name of Reporting Issuer(s)</th></tr><tr><td>David Abrams</td><td>Norwegian Cruise Line Holdings Ltd. (NYSE: NCLH)</td></tr><tr><td>John McKimm</td><td>Smart Employee Benefits Inc. (TSXV: SEB)</td></tr></table>	Name of Director	Name of Reporting Issuer(s)	David Abrams	Norwegian Cruise Line Holdings Ltd. (NYSE: NCLH)	John McKimm	Smart Employee Benefits Inc. (TSXV: SEB)
Name of Director	Name of Reporting Issuer(s)							
David Abrams	Norwegian Cruise Line Holdings Ltd. (NYSE: NCLH)							
John McKimm	Smart Employee Benefits Inc. (TSXV: SEB)							
	13.6 Cease trade order or bankruptcy	<p>To the best of our knowledge, no current director or executive officer of the Company is, as at the date of this Listing Statement, or within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company (including the Company), that:</p> <ul style="list-style-type: none">(1) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or(2) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. <p>For the purposes of the above paragraph, “order” means a cease trade order, an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.</p>						
	13.7 & 13.8 Penalties and sanctions	<p>To the best of our knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:</p> <ul style="list-style-type: none">(1) any penalties or sanctions imposed by a court or securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or(2) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.						
	13.9 Bankruptcy proceedings	<p>Other than as set out below, to the best of our knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:</p> <ul style="list-style-type: none">(1) is, as at the date of this Listing Statement, or has been within the 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or						

	Information Required by Form 2A Listing Statement	Issuer Response
		(2) has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.
	13.10 Conflicts of interest	To the best of our knowledge, there are no known existing or potential conflicts of interest among the Company, our directors and officers or other members of management as a result of their outside business interests. Certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.
	13.11 Information regarding management	<p>Robert Beasley – Chief Executive Officer, Director Robert Beasley, a native Floridian, co-founded the law firm of Litvak Beasley Wilson & Ball LLP in 2001. His practice has included serving as counsel for multiple parties seeking to obtain cannabis licenses. As an industry consultant, Robert has been engaged to provide advice in obtaining cannabis licenses and related financing facilities in Florida, Oregon, California and Washington D.C. In addition, Robert has participated in the design and construction of five cannabis cultivation and processing facilities. In 2014 and 2015, Robert participated in the legislative and rule making process related to Florida’s Compassionate Medical Cannabis Act. In 2016, Robert contributed to the Florida Medical Marijuana Legalization Initiative, also known as Amendment 2, and served as a consultant to those license holders attempting to navigate the regulatory maze which followed. Robert has served on the first Board of Managers for Chestnut Hill Tree Farm (“CHTF”), one of the initial seven cannabis licensees in Florida. During this time, he advised on the construction and development of the cultivation, processing, packaging and retail sales stages of bringing a medical cannabis licensee into operation. Following the sale of CHTF to the Canadian operator Aphria Inc. in 2017, Robert was appointed to the Board of Managers for Montana Apothecary, LLC (d/b/a Alternative Solutions), a cannabis grower in Washington D.C. and served this company during its expansion to become one of the leading cannabis wholesalers in the United States.</p> <p>Patricia Fonseca – Chief Financial Officer Patricia Fonseca joined Consortium from The Service Companies, Inc., a service provider to the hospitality, gaming and facility services industries, where she was employed since 2011, most recently as its Chief Financial Officer. Previously, she worked at Springs Global US and Ernst & Young in the Transactions Advisory Services group. Before this, she spent 8 years in the audit functions of BDO in the US and Australia, and Deloitte in Brazil. Mrs. Fonseca is a Certified Public Accountant in both the United States and Brazil.</p> <p>Henry Batievsky, Chief Production Officer Henry Batievsky is the Chief Production Officer of the Company. He co-founded the company in 2016 after a successful career in law and real estate development. Henry received a Bachelor of Science degree in Economics from the University of Pennsylvania Wharton School of Business, and a Juris Doctor degree from the University of California at Los Angeles. He began his career as a tax attorney at Paul, Weiss,</p>

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		<p>Wharton, Rifkind & Garrison LLP, where he focused on large corporate mergers and acquisitions. He then applied his background in tax law to real estate development, founding a firm that brought over one million sq. ft. of single and multi-family housing and commercial properties to market. He has also owned and operated significant retail operations in the U.S. and abroad. His multi-disciplinary strengths are well-suited to managing a production, processing, and dispensing operation with multiple physical footprints in an industry undergoing rapid regulatory development. He regularly competes in ironman competitions in his home state of Florida, and around the country.</p> <p>David Abrams, Director</p> <p>Mr. Abrams is an entrepreneur, businessman and executive with thirty years of investment management, investment banking and sales and trading experience. In addition to his career in the financial services industry, Mr. Abrams is an owner, operator and investor in several professional sports franchises and sports technology companies. In 2018 Mr. Abrams became the Head of Investments and Strategy for Harris Blitzer Sports & Entertainment, which owns the Philadelphia 76ers, the New Jersey Devils and the Prudential Center. From 2016 through 2018, Mr. Abrams was Co-Head of Global Corporate Credit and Distressed Debt at Cerberus Capital, a leading investment firm with more than \$35 billion in assets under management. From 2007 through 2014, Mr. Abrams was the Founder and Managing Partner of the Apollo European Principal Finance Funds franchise at Apollo Global Management (NYSE: APO), which had approximately \$5 billion of assets under management with a primary focus on acquiring distressed debt, real estate and non-performing loans. From 1996 through 2007, Mr. Abrams was a Managing Director in the Leveraged Finance Group of Credit Suisse, based in London and New York. From 2004 through 2007, he founded and was the Head of the Credit Suisse Specialty Finance Investment business which invested in non-performing loan portfolios and distressed assets. From 1996 through 2004, Mr. Abrams was a founding member and Co-Head of the Global Distressed Sales and Trading Group at Credit Suisse (and its predecessor Donaldson Lufkin & Jenrette, Inc.). Mr. Abrams began his career in 1989 as an analyst in the Investment Banking Division of Bear, Stearns & Co. and then as an associate/vice president at the Argosy Group, a boutique corporate restructuring firm. Mr. Abrams graduated cum laude with a Bachelor of Science degree in Economics from the Wharton School of Business at the University of Pennsylvania. Mr. Abrams is currently a member of the Board of Directors of Norwegian Cruise Lines, the 3rd largest operator of cruise ships in the world with an equity market capitalization of \$9.6 billion (NYSE: NCLH) and the Advisory Board of the Mount Sinai Hospital (NYC) Surgical Department.</p> <p>Neal Hochberg, Chairman, Director</p> <p>Neal Hochberg is a vice president at Chares River Associates, based in New York. Mr. Hochberg has decades of consulting experience advising outside counsel, board, and senior management on accounting and forensic investigations. He has provided expert witness testimony and served as an arbitrator, mediator, and in court-appointed roles as independent panel and special master. Mr. Hochberg has served as an independent compliance consultant for a multinational under a US Department of Justice deferred prosecution agreement (DPA). He specializes in complex matters involving financial misreporting, securities derivatives and 10b-5 claims, fraud and corruption claims, including alleged violations of the Foreign Corrupt Practices Act (FCPA). Mr. Hochberg was previously the global leader of the Forensic and Litigation Consulting segment at FTI Consulting from 2008 until 2017 and served on the firm's executive committee. Mr. Hochberg's career also includes service as a forensic and litigation partner at two of the Big 4 accounting firms and as an audit partner at another international accounting firm. In addition, he was an</p>

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		<p>executive vice president, chief financial officer, and member of the board of a diverse manufacturing company. Mr. Hochberg's forensic and financial investigation engagements include examinations into acquisition accounting, accounting irregularities and financial misreporting, revenue recognition, purchasing and inventory diverting schemes, fraud and embezzlement, vendor "kick-back" schemes, banking and securities industry issues, and compliance and internal control issues for major multinational companies. Mr. Hochberg's FCPA and anti-corruption experience includes leading financial and forensic investigations on a global basis in matters including investigating allegations of inappropriate behavior and suspected violations of the FCPA by multi-national corporations, their agents or partners and foreign executives of operating divisions. Mr. Hochberg regularly attends leading professional seminars on a variety of topics including the role of the board, audit and other committees, current Securities Exchange Commission hot topics and global anti-corruption compliance, enforcement and investigations. He has spoken at Stanford Directors College, Ethicsphere's Annual Compliance conference and the National Association of Corporate Directors.</p> <p>Mr. Hochberg holds a B.S.B.A. from the University of Florida with honors. He is a certified Public Accountant licensed in the state of Florida, is certified in Financial Forensics and a certified Fraud Examiner. Mr. Hochberg is a member of the American Institute of certified Public Accountants, Florida Institute of Certified Public Accountants and the Association of Certified Fraud Examiners.</p> <p><i>Roger Daher, Director</i></p> <p>Roger Daher is a pharmacist and current owner/partner of eight (8) pharmacies in Ontario. He has worked in the pharmacy industry for 33 years and been a licensed pharmacist for 30+ years. For the past 20 years Roger has expanded his pharmacy ownership to eight Ontario pharmacies, seven of which are Pharmasave Pharmacies. Roger has also been a member of the Pharmasave Ontario board of directors, as well as chair of the Finance and Audit committee for the past ten years. Roger is also an independent director serving on the board of several public companies listed on the TSX Venture Exchange, including Fountain Asset Corp. (TSXV: FA), Aumento Capital VII Corporation (TSXV: AUOC), Skyscape Capital Inc. (TSXV: SKYP), (chairman).</p> <p><i>John McKimm, Director</i></p> <p>Mr. McKimm's experience spans over 35 years of serving as a director and an officer of many public and private companies, where he provided operations, investment banking, and corporate finance expertise. This experience covers a range of sectors, including financial services, healthcare, insurance, computer hardware, software and services, manufacturing, petrochemical, mining, oil and gas, food processing, telecom, waste management, biotechnology, and retail. He has personally identified, negotiated and executed more than 150 individual merger, acquisition and financing transactions, both as a principal and as an agent. Mr. McKimm possesses a deep knowledge in dealing with emerging and growth companies, specifically with respect to providing specialty services in government funding programs, strategic and financial restructurings, mergers and acquisitions, operational and financial restructuring and the arrangement of financings. Mr. McKimm's experience is global.</p>

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		<p>Mr. McKimm is a graduate of the University of New Brunswick with a Bachelor of Business Administration, and a graduate of the University of Western Ontario with a Masters of Business Administration and a Bachelor of Law. John also has a number of investment industry certifications and designations. He has published on select investment and financial restructuring topics.</p> <p><i>Samantha Hymes, EVP of Operations</i></p> <p>Samantha is a former director at the public affairs and government affairs consulting firm Floridian Partners and Prime Strategies who advised clients in the health care, insurance and real estate development industries. A graduate of Florida Gulf Coast University's Health Care Administration Program with a B.S. in Health Services Administration, she has extensive knowledge and of health care issues, State of Florida legislative and executive branch processes, and Broward County government and local politics.</p> <p>While at Floridian Partners, Samantha assisted clients with business strategy development, request for proposal and licensing applications, compliance work involving assessment of compliance with state laws, mock audits, program implementation, national healthcare plan contracting and delivery, and Medicaid and Medicare issues.</p> <p>She developed broad public-sector experience at the state and local level, working at the Florida Agency for Health Care Administration ("AHCA") and as Chief of Staff to the Mayor of the Broward County Board of County Commissioners. During her time at AHCA, Samantha worked in the Office of Legislative Affairs, rising to the level of Policy Chief. She served in the administrations of Governors Jeb Bush and Charlie Crist, working on AHCA's entire legislative agenda, ranging from health care appropriations to policy issues in both the Division of Medicaid and the Division of Health Quality Assurance. While working as Chief of Staff for the Broward County Mayor, she worked on all issues before the County Commission and Mayor's Office including, among others, the airport, seaport, transportation, tourism, economic development, and procurement.</p> <p><i>Todd Buchman – Chief Legal Officer</i></p> <p>Todd Buchman has served as the Company's Chief Legal Officer since April 2019. From 2006 to 2018 he was Associate General Counsel and Senior Vice President of Sun Capital Partners, Inc. He began his career as a corporate and securities attorney for Morgan, Lewis & Bockius LLP in Philadelphia, PA, where for 6 years he represented both public and private clients in a wide range of M&A activity and SEC reporting. Todd received a BA in History from the University of Florida, and a JD from the Dickinson School of Law of Pennsylvania State University.</p>

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14 .	Capitalization 14.1 Chart with respect to each class of securities to be listed, including public float, freely-tradeable float, public securityholders (registered), public securityholders (beneficial), non-public securityholders (registered)	See chart attached hereto as Schedule "B"
	14.2 Chart with respect to securities convertible or exchangeable into class of listed securities	See chart attached hereto as Schedule "B"

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	14.3 Listed securities reserved for issuance not included in item 14.2	See charts attached as hereto as Schedule "B"
15 .	Executive Compensation 15.1 Statement of Executive Compensation	<p>Named Executive Officers</p> <p>Pursuant to applicable securities regulations, the Corporation must disclose the compensation paid to its “Named Executive Officers” (or “NEOs”). This includes the Corporation’s Chief Executive Officer, the Corporation’s Chief Financial Officer and the other three most highly compensated Executive Officers including any of the Corporation’s subsidiaries provided that disclosure is not required for those Executive Officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation did not exceed \$150,000.</p> <p>An “Executive Officer” of the Corporation means an individual who at any time during the financial year was (a) a chair, vice-chair or president of the Corporation; (b) a vice-president of the Corporation in charge of a principal business unit, division or function including sales, finance or production; or (c) performing a policy-making function in respect of the issuer.</p> <p>Compensation Discussion and Analysis</p> <p>In this Circular, references to “\$” or “dollars” are to United States dollars; references to “CAD\$” are to Canadian dollars. Amounts are stated in United States dollars unless otherwise indicated.</p> <p>The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation’s executive compensation objectives and processes and to discuss compensation decisions relating to its NEOs.</p> <p>The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Corporation. In determining executive compensation, the Board considers the Corporation’s financial circumstances at the time decisions are made regarding executive compensation, and also the anticipated financial situation of the Corporation in the mid-term and long-term.</p> <p>The Board’s responsibilities relating to the compensation and retention of Named Executive Officers include, but are not limited to:</p> <ul style="list-style-type: none"> • setting policies for Named Executive Officers’ remuneration;

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		<ul style="list-style-type: none"> • reviewing and approving salary, bonus, and other benefits, direct or indirect, and any change-of-control packages of the Chief Executive Officer; • considering the recommendations of the Chief Executive Officer and setting the terms and conditions of employment including, approving the salary, bonus, and other benefits, direct or indirect, and any change-of-control packages, of the Named Executive Officers of the Corporation; and • overseeing the administration of the Corporation’s compensation plans, including the Stock Option Plan and such other compensation plans or structures as are adopted by the Corporation from time to time. <p>The following executive compensation principles guide the Board in fulfilling its roles and responsibilities in the design and ongoing administration of the Corporation’s executive compensation program:</p> <ul style="list-style-type: none"> • compensation levels and opportunities must be market competitive to attract and retain qualified and experienced executives, while being fair and reasonable to Shareholders; • compensation must incorporate an appropriate balance of short-term and long-term rewards; and • compensation programs must align executives’ long-term financial interests with those of Shareholders by providing equity-based incentives. <p>The Corporation does not have formal benchmarks for assessing and setting executive compensation. However, the Corporation reviews compensation programs of companies in its peer group to ensure that executive compensation is within the parameters of companies of a similar size and within the same industry. Levels of compensation are also established and maintained with the intent of attracting and retaining superior quality employees while ensuring that the levels are not contrary to the interests of shareholders.</p> <p>The Corporation’s general executive compensation philosophy is to, whenever possible, pay its Named Executive Officers “base” compensation in the form of salaries that are competitive in comparison to those earned by executive officers holding comparable positions with other entities similar to the Corporation, while at the same time providing its Named Executive Officers with the opportunity to earn above average “total” compensation through the Stock Option Plan and other equity-based compensation structures as may be approved by the Corporation’s shareholders.</p> <p>The Corporation’s executive compensation program is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short-term and the long term. For NEOs, the compensation program is designed to provide a larger portion of variable incentives tied to corporate performance. NEO compensation includes base salary, bonus and benefits, and stock options. Salaries are a base level of compensation designed to attract and retain executive offices with the appropriate skills and experience. Stock option grants through the Stock Option Plan were designed to provide incentives to increase shareholder value over the longer-term and thereby better align executive compensation with the interests of Shareholders.</p> <p>Each element of executive compensation is carefully considered by the Board to ensure that there is the right mix of short-term and long-term incentives for the purposes of achieving the Corporation’s goals and objectives.</p>

		<p><u>Base Salary</u></p> <p>An NEO's base salary is intended to remunerate the NEO for discharging job responsibilities and reflects the executive's performance over time. Individual salary adjustments take into account performance contributions in connection with their specific duties. The base salary of each Named Executive Officer is determined by the Board based on an assessment by the Board of his or her sustained performance and consideration of competitive compensation levels for the markets in which the Corporation operates. In making its determinations, the Board also considers the particular skills and experience of the individual. A final determination on executive compensation, including salary, is made by the Board in its sole discretion and its knowledge of the industry and geographic markets in which the Corporation operates. The Board does not use any type of quantitative formula to determine the base salary level of any of the NEOs.</p> <p>Base salaries are reviewed annually to ensure that they properly reflect a balance of market conditions, the levels of responsibilities and accountability of each individual, their unique experience, skills and capability and level of sustained performance.</p> <p><u>Option Based Awards</u></p> <p>The stock option component of Named Executive Officers' compensation is intended to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation to remain associated with the Corporation and providing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs. Grants under the Stock Option Plan are intended to provide long term awards linked directly to the market value performance of the Common Shares. The Board reviews management's recommendations and stock options are granted according to the specific level of responsibility of the particular executive and the number of stock options for each level of responsibility is determined by the Board.</p> <p>The number of outstanding stock options is considered by the Board when determining the number of stock options to be granted in any particular year due to the limited number of stock options which are available for grant under the Stock Option Plan.</p> <p><u>Stock Option Plan</u></p> <p>The Board has adopted a 10% "rolling" stock option plan (the "Stock Option Plan"), in accordance with provisions allowable for a Canadian Securities Exchange issuer. The Stock Option Plan has been established to provide incentives to increase individual performance and shareholder value, and to assist with the retention of directors, officers, employees and consultants.</p> <p>The Board may from time to time, in its discretion, and in accordance with Canadian Securities Exchange requirements, grant to directors, officers, employees and consultants, non-assignable and non-transferable options to purchase Common Shares and Proportionate Voting Shares; provided that the number of the Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares on an as-converted basis.</p> <p>The stock options are exercisable up to 10 years from the date of grant, so long as the optionee maintains its eligibility under the Stock Option Plan. The number of Common Shares reserved for issuance to any optionee cannot exceed 5% of the then issued and outstanding Common Shares on an as-converted basis and the number of Common Shares reserved for issuance to consultants cannot exceed 2% of the then issued and outstanding Common Shares on an as-converted basis.</p> <p>The minimum exercise price of a stock option granted under the Stock Option Plan must not be less than the greater of the closing trading price of the Common Shares on the day immediately preceding the grant date and the grant date.</p> <p>Stock options granted to an optionee who does not continue as a director, officer, employee or consultant of the Corporation, have 30 days after such optionee ceases to be a director, officer, employee or consultant of the Corporation to be exercised, after which such options terminate and are of no further force or effect.</p> <p>Summary Compensation Table</p>
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The following table sets forth the compensation earned by the NEOs for the Corporation's three most recently completed financial years.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)		Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		Benefit Plan ER Portion	Other	
Robert Beasley, CEO	2020	46,154	NIL	289,169	NIL	NIL	NIL	6,732	283,635	342,055
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Marcos Pedreira, Chief Financial Officer	2020	226,298	NIL	85,576	22,500	NIL	NIL	22,095	N/A	356,469
	2019	206,346	N/A	164,429	N/A	N/A	N/A	18,452	N/A	389,228
	2018	53,173	N/A	N/A	N/A	N/A	N/A	7,275	N/A	60,448
Henry Batievsky, Chief Production Officer	2020	175,769	NIL	NIL	20,000	NIL	NIL	22,095	N/A	217,864
	2019	511,154	NIL	NIL	NIL	NIL	NIL	18,452	N/A	529,606
	2018	521,154	NIL	NIL	100,000	NIL	NIL	7,275	N/A	628,429
Todd Buchman, Chief Legal Officer and Corporate Secretary	2020	348,929	NIL	NIL	20,000	NIL	NIL	22,095	N/A	391,023
	2019	235,577	NIL	1,296,046	NIL	NIL	NIL	11,976	N/A	1,543,599
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Samantha Hymes, EVP of Operations	2020	186,154	NIL	NIL	20,000	NIL	NIL	22,095	N/A	228,248
	2019	160,000	N/A	164,429	N/A	N/A	N/A	18,452	N/A	342,881
	2018	135,076	NIL	NIL	N/A	N/A	N/A	7,275	N/A	142,351

- (1) Share based awards do not represent cash received. Share based awards reflect the market value of the Corporation's Common Shares at the time of issuance.
(2) Option based awards do not represent cash received. They represent the fair value of options granted during the period using the Black Scholes pricing model. This method was chosen as it is a recognized standard for valuations.
(3) Robert Beasley was appointed Chief Executive Officer of the Corporation on September 29, 2020

- (4) Marcos Pedreira was appointed Chief Financial Officer on July 7, 2020 and resigned on December 30, 2020
(5) Todd Buchman was appointed Chief Legal Officer on April 15, 2019 and Corporate Secretary on October 17, 2019.

Incentive Plan Awards - Outstanding Share and Option-Based Awards

The following table sets forth the outstanding option and share based awards of NEOs as of December 31, 2020.

Name and principal position	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid out or distributed
	(#)	(\$)		(\$) ⁽¹⁾	(#)	(\$)	(\$) ⁽²⁾
Robert Beasley, CEO ⁽³⁾	1,750,000	0.295	October 5, 2023	831,250	NIL	NIL	NIL
Marcos Pedreira, Chief Financial Officer ⁽⁴⁾	300,000	0.315	July 7, 2025	136,500	NIL	NIL	NIL
	500,000	0.44	December 31, 2024	165,000	NIL	NIL	NIL
Henry Batievsky, Chief Production Officer	NIL	N/A	N/A	N/A	NIL	NIL	NIL
	NIL	N/A	N/A	N/A	NIL	NIL	NIL
Todd Buchman, Chief Legal Officer and Corporate Secretary ⁽⁵⁾	600,000	2.00	March 21, 2021	-	NIL	NIL	NIL
	2,000,000	0.44	December 31, 2024	660,000	NIL	NIL	NIL
Samantha Hymes, EVP of Operations	500,000	0.44	December 31, 2024	165,000	NIL	NIL	NIL

Notes:

- (1) Based on closing price of the Common Shares on the Canadian Securities Exchange on December 31, 2020 of \$0.77.
(2) Market value of share-based awards that have vested but have not been paid out or distributed is calculated as the number of stock options outstanding at December 31, 2020 multiplied by the closing price of the Common Shares at that date, which was \$0.77.
(3) Robert Beasley was appointed Chief Executive Officer of the Corporation on September 29, 2020
(4) Marcos Pedreira was appointed Chief Financial Officer on July 7, 2020 and resigned on December 30, 2020
(5) Todd Buchman was appointed Chief Legal Officer on April 15, 2019 and Corporate Secretary on October 17, 2019.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value vested of option and share based awards for NEOs during the year ended December 31, 2020.

Name and principal position	Option based awards – Value vested during the year (\$)⁽¹⁾	Share based awards – Value vested during the year (\$)⁽²⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Robert Beasley, CEO ⁽³⁾	831,250	NIL	NIL
Marcos Pedreira, Chief Financial Officer ⁽⁴⁾	45,455	NIL	22,500
Henry Batievsky, Chief Production Officer	NIL	NIL	20,000
Todd Buchman, Chief Legal Officer and Corporate Secretary ⁽⁵⁾	NIL	NIL	20,000
Samantha Hymes, EVP of Operations	NIL	NIL	20,000

Notes:

- (1) Option based awards do not represent cash received. The value of stock options is calculated based on the value that would have been realized if the options had been exercised on the vesting date by taking the difference between the market price of the underlying Common Shares on the vesting date and the exercise price.

	<p>(2) Share based awards do not represent cash received. Awards are shown at the market value of the Common Shares at the time of issuance of the stock options.</p> <p>(3) Robert Beasley was appointed Chief Executive Officer of the Corporation on November 2, 2020</p> <p>(4) Marcos Pedreira was appointed Chief Financial Officer on July 7, 2020 and resigned on December 30, 2020</p> <p>(5) Todd Buchman was appointed Chief Legal Officer on April 15, 2019 and Corporate Secretary on October 17, 2019</p> <p>Employee Agreements and Termination and Change of Control Benefits</p> <p>The Corporation had entered into an executive employment agreement with the CEO, Jose Hidalgo, for services whereby he was initially compensated at the rate of \$700,000 annually and then from October 18, 2019, at the rate of \$225,000 annually. Jose Hidalgo resigned on February 24, 2020 and his executive employment agreement was terminated without further obligation to the Corporation.</p> <p>The Corporation had entered into an executive employment agreement with the CFO, Henry Batievsky, for services whereby he was initially compensated at the rate of \$600,000 annually and then from October 18, 2019, at the rate of \$150,000, annually.</p> <p>The Corporation had entered into an executive employment agreement with the COO, Patrick Maloy, for services whereby he was compensated at the rate of \$500,000 annually. Patrick Maloy resigned on September 27, 2019 and his executive employment agreement was terminated without further obligation to the Corporation.</p> <p>The Corporation had entered into an executive employment agreement with the Corporate Secretary, Jeffrey Reath, for services whereby he was compensated at the rate of \$225,000 annually. Jeffrey Reath resigned on October 17, 2019 and his executive employment agreement was terminated without further obligation to the Corporation.</p> <p>The Corporation has entered into an employment agreement with the Chief Legal Officer, Todd Buchman, for services whereby he is compensated at the rate of \$350,000 annually. If such agreement is terminated without Cause (as defined therein) or for Good Reason (as defined therein), Mr. Buchman would be entitled to the following, subject to executing a release in favour of the Corporation: (i) salary and benefits continuance for up to twelve months or until other employment is secured; and (ii) earned but unpaid bonuses.</p> <p>Director Compensation</p> <p>Director compensation matters are dealt with by the Board as a whole. On completion of the Corporation's initial public offering on March 21, 2019, each director who is not also an NEO, received an initial grant of 22,222 stock options at an exercise price equal to \$2.00 and subsequently on December 31, 2019 a grant of 540,000 stock options at an exercise price equal to \$0.44.</p> <p>Each director who is not also an NEO, is paid the following directors fees, as applicable: (i) an annual fee of \$70,000 for being a member of the Board; (ii) an annual fee of \$10,000 for being a member of the audit committee (\$15,000 for being the chair); (iii) an annual fee of \$10,000 for being a member of the governance & compensation committee (\$15,000 for being the chair); and (iv) a monthly fee of \$10,000 for being a member of the special committee (\$15,000 for being the chair).</p> <p>All directors are reimbursed for their respective out of pocket expenses in relation to their attendance at Board meetings and committee meetings.</p>
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	<p>Director Compensation Table</p> <p>The following table describes all compensation provided to the non-executive Directors of the Corporation for the most recently completed financial year.</p> <table><tr><th>Name</th><th>Fees Earned</th><th>Share-Based Awards⁽¹⁾</th><th>Option-Based Awards⁽²⁾</th><th>Non-Equity Incentive Plan Compensation</th><th>Pension Value</th><th>All Other Compensation</th><th>Total</th></tr><tr><td></td><td>(\$)</td><td>(\$)</td><td>(\$)</td><td>(\$)</td><td>(\$)</td><td>(\$)</td><td>(\$)</td></tr><tr><td>David Abrams</td><td>200,000</td><td>NIL</td><td>164,297</td><td>NIL</td><td>NIL</td><td>NIL</td><td>364,297</td></tr><tr><td>Neal Hochberg</td><td>275,000</td><td>NIL</td><td>164,297</td><td>NIL</td><td>NIL</td><td>NIL</td><td>439,297</td></tr><tr><td>John McKimm</td><td>215,000</td><td>NIL</td><td>164,297</td><td>NIL</td><td>NIL</td><td>NIL</td><td>379,297</td></tr><tr><td>Roger Daher</td><td>49,583</td><td>NIL</td><td>164,297</td><td>NIL</td><td>NIL</td><td>NIL</td><td>213,880</td></tr></table> <p>Notes:</p> <p>(1) Share based awards do not represent cash received. Share based awards reflect the market value of the Corporation’s Common Shares at the time of issuance.</p> <p>(2) Option based awards do not represent cash received. They represent the fair value of options granted during the period using the Black Scholes pricing model. This method was chosen as it is a recognized standard for valuations.</p> <p>Incentive Plan Awards</p> <p><i>Outstanding Share-Based Awards and Option-Based Awards - Directors</i></p> <p>The following table sets forth the outstanding option and share based awards for non-executive Directors of the Corporation as of December 31, 2020.</p> <table><tr><td></td><td>Option-Based Awards</td><td>Share-Based Awards</td></tr><tr><td></td><td></td><td></td></tr></table>	Name	Fees Earned	Share-Based Awards ⁽¹⁾	Option-Based Awards ⁽²⁾	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	David Abrams	200,000	NIL	164,297	NIL	NIL	NIL	364,297	Neal Hochberg	275,000	NIL	164,297	NIL	NIL	NIL	439,297	John McKimm	215,000	NIL	164,297	NIL	NIL	NIL	379,297	Roger Daher	49,583	NIL	164,297	NIL	NIL	NIL	213,880		Option-Based Awards	Share-Based Awards			
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		<table><tr><th rowspan="2">Name</th><th>Option-Based Awards – Value Vested During the Year⁽¹⁾</th><th>Share-Based Awards – Value Vested During the Year⁽²⁾</th><th>Non-Equity Incentive Plan Compensation – Value Earned During the Year</th></tr><tr><th>(\$)</th><th>(\$)</th><th>(\$)</th></tr><tr><td>David Abrams</td><td>164,297</td><td>N/A</td><td>N/A</td></tr><tr><td>Neal Hochberg</td><td>164,297</td><td>N/A</td><td>N/A</td></tr><tr><td>John McKimm</td><td>164,297</td><td>N/A</td><td>N/A</td></tr><tr><td>Roger Daher</td><td>164,297</td><td>N/A</td><td>N/A</td></tr></table>	Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾	Share-Based Awards – Value Vested During the Year ⁽²⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year	(\$)	(\$)	(\$)	David Abrams	164,297	N/A	N/A	Neal Hochberg	164,297	N/A	N/A	John McKimm	164,297	N/A	N/A	Roger Daher	164,297	N/A	N/A	<p>Notes:</p> <p>(1) Option based awards do not represent cash received. The value of stock options is calculated based on the value that would have been realized if the options had been exercised on the vesting date by taking the difference between the market price of the underlying Common Shares on the vesting date and the exercise price.</p> <p>(2) Share based awards do not represent cash received. Awards are shown at the market value of the Common Shares at the time of issuance of the stock options.</p>		
Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾	Share-Based Awards – Value Vested During the Year ⁽²⁾		Non-Equity Incentive Plan Compensation – Value Earned During the Year																								
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16	<p>Indebtedness of Directors and Executive Officers</p> <p>16.1 Aggregate Indebtedness</p>	<p>No director, executive officer, employee, former director, former executive officer or former employee of the Company is or has within 30 days before the date of this Listing Statement been indebted to the Company or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or similar agreement provided by the Company, except for routine indebtedness.</p>																										

	Information Required by Form 2A Listing Statement	Issuer Response
	16.2 Indebtedness of Directors and Officers under (1) Securities Purchase and (2) Other Programs	Not applicable
17 	Risk Factors 17.1 Risk factors related to the Company and its business	Risks Relating to the Company's Business <i>Limited Operating History</i> We have a very limited history of operations and are considered a start-up company. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on shareholders' investment and the likelihood of our success must be considered in light of our early stage of operations. <i>The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.</i> The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations. <i>The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.</i>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future 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, results of operations and financial condition of the Company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this Listing Statement, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our Common Shares may significantly decrease.</p> <p><i>Risks Specifically Related to the United States Regulatory System</i></p> <p>The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.</p> <p>The Company's business incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.</p> <p>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 control of the Company 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 uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.</p>

	Information Required by Form 2A Listing Statement	Issuer Response
		<p>This Listing Statement involves entities that are expected to continue to derive a portion of their revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's and its applicable subsidiaries' business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company and its subsidiaries are directly engaged in the manufacture and possession of cannabis in the medical cannabis marketplace in the United States. The enforcement of relevant laws is a significant risk.</p> <p>Over half of the states in the United States have enacted comprehensive legislation to regulate the sale and use of medical cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the <i>United States Controlled Substances Act</i> of 1970. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.</p> <p>Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules 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, which would adversely affect the current and future operations and investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future operations and investments in the United States.</p> <p>For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in the United States and Canada.</p> <p>On February 8, 2018, following discussions with the CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse</p>

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		<p>effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of a stock exchange. The operations of the Company and its subsidiaries are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's and its subsidiaries' operations are directly in the medical cannabis industry in the United States, where local state law permits such activities. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions. The Company's and its subsidiaries' operations have been focused in states that have legalized the medical use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. Currently, the states of Alaska, California, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have legalized recreational use of cannabis. However, the U.S. federal government has not enacted similar legislation for medical or recreational cannabis. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.</p> <p>Further, on January 4, 2018, former U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the memorandum authored by then Deputy Attorney General, James Cole (collectively the "Cole Memorandum"). The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of the Cole Memorandum and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandum was never legally binding; however, the revocation removed the Department of Justice's ("DOJ") guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.</p> <p>Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. 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 state laws are repealed or curtailed, the Company's businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.</p> <p>In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published Staff Notice 51-352 setting out the CSA's disclosure expectations for</p>

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		<p>specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-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. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.</p> <p>The Company's and its subsidiaries' current or future operations in the medical and recreational cannabis industry are likely illegal under the applicable federal laws of the United States. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company or its subsidiaries. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.</p> <p>The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. 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. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company's and its subsidiaries' activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company and its subsidiaries of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any subsidiary. Any such proceedings brought against the Company may adversely affect the Company's and its subsidiaries' operations and financial performance.</p> <p>Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company and its subsidiaries, including their reputations and ability to conduct business, their holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of any publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.</p>

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		<p>There is still uncertainty surrounding the Joe Biden Administration and its influence and policies towards the cannabis industry as a whole. On March 11, 2021, Merrick Garland was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry.</p> <p>Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements, including without limitation, the following factors:</p> <ul style="list-style-type: none"> the activities of the Company and its subsidiaries are subject to evolving regulation that is subject to changes by governmental authorities in Canada, the U.S. and internationally and such authorities could impose restrictions on the Company's and its subsidiaries' ability to operate; third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's and its subsidiaries' cannabis business activities; the Company's ability to repatriate returns generated from operations and investments in the U.S. may be limited by anti-money laundering laws; under Section 280E of the Internal Revenue Code, certain normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, certain of the subsidiaries will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company and the subsidiaries will not be subject to Section 280E of the Internal Revenue Code in the future, and accordingly, there is no certainty that the impact that Section 280E of the Internal Revenue Code has on the Company's margins will ever be reduced; federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's or any subsidiary's accounts and risks associated with uninsured deposit accounts. There is no certainty that Company or any subsidiaries will be able to maintain its existing accounts or obtain new accounts in the future; and although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. <p><i>The Company's and its subsidiaries in the United States are subject to applicable anti-money laundering laws and regulations.</i></p> <p>The Company and its subsidiaries are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools</p>

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		<p>Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States, Canada and internationally. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.</p> <p>Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the “FinCEN Memorandum”). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to and incorporates supplementary Cole Memorandum guidance issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the United States Controlled Substances Act on the same day.</p> <p>Notwithstanding former Attorney General Sessions’ revocation of the Cole Memorandum, the status of the FinCEN Memorandum has not been affected, 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 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.</p> <p>The Company and its subsidiaries’ operations, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the United States. This restricts the ability of the Company and its subsidiaries to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.</p> <p><i>U.S. Federal trademark protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.</i></p> <p>As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Controlled Substances Act, the benefit of certain federal laws and protections that may be available to most businesses, such as federal trademark protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company’s intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property in the United States, whether on a federal, state, or local level.</p>

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		<p><i>Ability to Access Private and Public Capital</i></p> <p>The Company has historically relied on access to private capital in order to support its continuing operations and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and is not legal pursuant to U.S. federal law, Canadian based issuers involved in the U.S. cannabis industry have been successful in completing public financings. However, although the Company has accessed private capital and the Canadian public market in the past, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the United States Controlled Substances Act of 1970. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.</p> <p><i>Service Providers</i></p> <p>As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which are necessary for the Company's operations. Such suspension or withdrawal by such third-party service providers may have a material adverse effect on the Company's business.</p> <p><i>Enforceability of Contracts</i></p> <p>It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at the federal level in the United States, judges in multiple states have previously refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even where there was no violation of state law. It is not certain that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, and such lack of a remedy could have a material adverse effect on the Company's business.</p> <p><i>Admissibility to the U.S.</i></p> <p>Admissibility into the United States for those individuals involved with marijuana remains uncertain since the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. U.S. Customs practices continue to evolve and U.S. Customs and Border Protection ("CBP") released a statement on October 11, 2018 (the "CBP Statement") confirming that CBP enforces the laws of the United States and U.S. laws have not changed following Canada's legalization of</p>

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		<p>marijuana. Requirements for international travelers wishing to enter the United States are governed by and conducted in accordance with U.S. federal law, which supersedes state laws. Although medical and recreational marijuana may be legal in some U.S. States and Canada, the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. Consequently, crossing the border or arriving at a U.S. port of entry in violation of this law may result in denied admission, seizure, fines, and apprehension. The CBP Statement also stated that CBP officers are thoroughly trained on admissibility factors and the <i>Immigration and Nationality Act</i>, which broadly governs the admissibility of travelers into the United States. Determinations about admissibility and whether any regulatory or criminal enforcement is appropriate are made by a CBP officer based on the facts and circumstances known to the officer at the time. Generally, any arriving alien who is determined to be a drug abuser or addict, or who is convicted of, admits having committed, or admits committing, acts which constitute the essential elements of a violation of (or an attempt or conspiracy to violate) any law or regulation of a State, the United States, or a foreign country relating to a controlled substance, is inadmissible to the United States.</p> <p>The CBP Statement then continued to state that a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible.</p> <p><i>The Company's and its subsidiaries' operations in the United States may be subject to heightened scrutiny.</i></p> <p>Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.</p> <p>Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational adult use cannabis under the <i>Cannabis Act</i> (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States.</p>

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		<p>Since 2014, the United States Congress has passed appropriations bills which included provisions to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law (currently the “Leahy Amendment”, but also referred to as the Rohrabacher-Farr Amendment).</p> <p>The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018 (“2018 Fiscal Year”), however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the “Continuing Resolution”). The Continuing Resolution has the purpose of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied upon appropriations protecting the medical cannabis industry were renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be included in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry. Until Congress agrees on the 2019 Fiscal Year Appropriations Bill, Congress may pass additional continuing resolutions from the 2018 Fiscal Year, which resolutions would provide ongoing and consistent protection for the medical cannabis industry.</p> <p>On December 22, 2018, Congress failed to pass the 2019 Fiscal Year Appropriations Bill, including the Leahy Amendment, causing a shutdown of the federal government. During a federal government shutdown, certain “nonessential” governmental programs are stalled; however, federal law enforcement and prosecution actions are exempted from furlough, thus Drug Enforcement Administration agents and federal prosecutors can operate without any restriction otherwise imposed by the spending bill regarding interference with the cannabis industry. Accordingly, during a shutdown, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis business that are otherwise compliant with state law.</p> <p>On January 25, 2019, President Trump ended the government shutdown but announced that he may shutdown the government again on February 15, 2019 if, by that time, Congress has not agreed on the final 2019 Fiscal Year Appropriations Bill which includes sufficient funding for a border wall between the United States and Mexico. On February 15, 2019, President Trump avoided another government shutdown and signed the 2019 Fiscal Year Appropriations Bill which included the Leahy Amendment, extending its application until the end of the 2019 fiscal year on September 30, 2019. There can be no assurances that the Leahy Amendment will be included in future appropriations bills.</p> <p>American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in a future budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government would have the authority to prosecute individuals for violations of the law before it lacked funding under the five (5) year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the</p>

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		<p>appropriations protections only apply to medical cannabis operations and provides no protection against businesses operating in compliance with a state's recreational cannabis laws.</p> <p><i>Regulatory Action and Approvals from the Food and Drug Administration</i></p> <p>The Company's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis-based products are not approved by the Food and Drug Administration ("USFDA") as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the USFDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Federal Food, Drug and Cosmetic Act ("FFDCA").</p> <p>In recent years, the USFDA has issued letters to a number of companies selling products that contain CBD oil derived from industrial hemp warning them that the marketing of their products violates the FFDCA. USFDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.</p> <p><i>Re-classification of Cannabis in and Removal of Industrial Hemp from the Controlled Substances Act in the United States</i></p> <p>The USFDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FFDCA. USFDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce.</p> <p>If cannabis, THC or CBD derived from cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the USFDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the USFDA has historically deferred enforcement related to cannabis to the DEA; however, the USFDA has enforced the FFDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis, THC or CBD derived from cannabis were to be rescheduled to a federally controlled, yet legal, substance, FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA, and others to enforce the CSA and FFDCA against businesses that comply with state but not federal law.</p> <p>On December 28, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the Controlled Substances Act and will amend the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under</p>

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		<p>the Farm Bill, industrial hemp is defined as “the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The U.S. Department of Agriculture will promulgate regulations for the industrial hemp industry, the timing of which cannot be assured. Additionally, the 2018 Farm Bill does not legalize CBD derived from “marihuana” (as such term is defined in the Controlled Substances Act of 1970), which is and will remain a Schedule I controlled substance under the Controlled Substances Act of 1970. It is not yet known what role the USFDA will have in regulating industrial hemp and CBD derived from industrial hemp.</p> <p>The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the Controlled Substances Act of 1970 could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Company.</p> <p>The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined. <i>The medical cannabis industry and market are relatively new and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market.</i></p> <p>The Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company’s business, financial conditions and results of operations.</p> <p><i>There are factors which may prevent the Company from the realization of growth targets</i></p> <p>The Company is currently in the expansion from early development stage. The Company’s growth strategy contemplates building various facilities in the United States and internationally. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these “<i>Risk Factors</i>” and the following:</p> <ul style="list-style-type: none"> • delays in obtaining, or conditions imposed by, regulatory approvals; • facility design errors; • environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;

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		<ul style="list-style-type: none"> • breakdown, aging or failure of equipment or processes; • contractor or operator errors; • operational inefficiencies; • labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and • major incidents and/or catastrophic events such as fires, explosions, storms, or physical attacks. • <p>Construction Risk Factors</p> <p>The Company is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants and the receipt of required governmental approvals and permits in connection with the construction of any of its facilities. A delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of any of the facilities are possible risks for the Company. There can be no assurance that current or future construction plans implemented by the Company or subsidiaries will be successfully completed on time, within budget, and without design defect. There can be no assurance that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Company and its subsidiaries will be able to obtain all necessary governmental approvals and permits, or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.</p> <p>Reliance on a Single Facility</p> <p>To date, the Company's activities and resources have been primarily focused on the Florida Facility and the Company expects to continue to be focused on operations at the Florida Facility for the foreseeable future. The Company is in discussions to expand cultivation and production to an additional site located within 65 kilometers of the Florida Facility. There is no guarantee at this point that this expansion will be realized. In all operations the Company relies on specified facilities that may or may not be expanded within timeframes to reduce the reliance on a particular facility. Adverse changes or developments affecting the Florida Facility, including any maintenance requirements of, or material damage or destruction to, the Florida Facility, could have a material and adverse effect on the business, financial condition and prospects of the Company.</p> <p><i>The Company is reliant on licenses to produce medical cannabis products.</i></p>

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		<p>The Company is dependent upon its licenses for its ability to grow, store and sell medical cannabis and other products derived therefrom in the jurisdictions where licensing is required and such licenses are subject to ongoing compliance, reporting requirements and renewal. See “<i>Material Contracts</i>”. See “<i>Licenses</i>” for each jurisdiction within the following sections “<i>Business of the Company - U.S. Operations – Current</i>”, “<i>Business of the Company - U.S. Operations – Anticipated</i>”, “<i>Business of the Company - International Operations – Current</i>”, and “<i>Business of the Company - International Operations – Anticipated</i>”.</p> <p>Although the Company believes it will meet the requirements for future renewals of its licenses, there can be no guarantee that government bodies will renew any applicable license or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Should the Company or any subsidiaries fail to comply with the requirements of an applicable license or should a regulatory authority not renew a license when required, or renew an applicable license on different terms or revoke a license, there would be a material adverse effect on the Company’s business, financial condition and results of operations.</p> <p>Government licenses are currently, and in the future may be, required in connection with the Company’s and its subsidiaries’ operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, for example, the Cannabis Act (Canada) License that has been applied for but not yet obtained, the Company and its subsidiaries may be prevented from operating and/or expanding their business, which could have a material adverse effect on the Company’s business, financial condition and results of operations.</p> <p><i>Risks related to the Company’s application for cultivation and processing license in Brazil.</i></p> <p>The Company through a wholly-owned subsidiary will apply for a cultivation and processing license in Brazil. At the present time, legislation governing licensing of cannabis cultivation and processing does not exist in Brazil. The Brazilian government is presently developing the framework for such legislation, however until such legislation comes into force, no persons (including the Company) can cultivate or process cannabis in Brazil. There is no fixed date upon which such legislation will be implemented and there can be no guarantee of such legislation ever coming into force. Brazilian law does allow for the importation of hemp and cannabis cultivated and processed outside Brazil, such licensing the Company presently has for hemp and is in the process of applying for with respect to cannabis importation. There can be no certainty that the Company will obtain the license necessary to import cannabis. In conjunction with the application to cultivate and process cannabis, the Company expects a pharmaceutical license will also be required, which license the Company is presently applying for, but there is no certainty that such license will be granted to the Company. Given the lack of cannabis legislation in Brazil and that the medical cannabis industry and market are relatively new in Brazil, there are substantial uncertainties as to how the legislation will evolve, if at all, and how the cannabis market will develop beyond the existing import market, if at all.</p> <p><i>The Company may not be able to develop its products, which could prevent it from ever becoming profitable.</i></p>

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		<p>If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.</p> <p><i>The Company's officers and directors will exercise a significant amount of voting power in the Company and such officers and directors may have the ability to control matters affecting the Company and its business.</i></p> <p>The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers will exercise a significant amount of voting power in the Company, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.</p> <p><i>There is no assurance that the Company will turn a profit or generate immediate revenues.</i></p> <p>There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.</p> <p><i>The Company's and its subsidiaries' operations are subject to environmental regulation in the various jurisdictions in which they operate.</i></p> <p>These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.</p>

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		<p>Government environmental approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.</p> <p>Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, and/or remedial actions. The Company and its subsidiaries may be required to compensate those suffering loss or damage due to its operations and may have civil and/or criminal fines or penalties imposed for violations of applicable laws or regulations.</p> <p><i>The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management, or may be more mature as a business.</i></p> <p>An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, despite Canadian federal, U.S. state-level, and international legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company and its subsidiaries. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company and its subsidiaries must comply with to conduct business, and accordingly may have significantly lower costs of operation.</p> <p><i>If the Company is unable to develop and market new products, it may not be able to keep pace with market developments.</i></p> <p>The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may also be required to obtain additional regulatory approvals from Health Canada and other applicable authorities which may take significant time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the development of such product and related regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.</p>

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		<p><i>If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.</i></p> <p>The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO and other senior officers, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess the desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.</p> <p><i>The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.</i></p> <p>Because the cannabis industry is in a preliminary stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding whether or not to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.</p> <p><i>The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.</i></p> <p>The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners (if they are acquired by or enter into relationships with a competitor) losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats; all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.</p> <p><i>The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.</i></p>

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		<p>There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will 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.</p> <p>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. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of Options under the Stock Option Plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.</p> <p><i>The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.</i></p> <p>The Company believes that it and the subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate. However, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. While the Company has sought to exclude certain criminal act exclusions from certain policies and sought to obtain additional riders exempting violations of the U.S. Controlled Substances Act from such criminal act exclusions, there is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.</p> <p><i>Risks inherent in an agricultural business.</i></p> <p>The Company's future business involves the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown</p>

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		<p>indoors under climate-controlled conditions, with monitoring, there can be no assurance that natural elements will not have a material adverse effect on them.</p> <p><i>The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks.</i></p> <p>In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems and delays in patients obtaining their orders which cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.</p> <p>Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.</p> <p><i>The Company and its subsidiaries are reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's and its subsidiaries' finances and operation results. The Company and its subsidiaries are also dependent on access to skilled labour, equipment and parts.</i></p> <p>The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.</p> <p>The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.</p> <p><i>The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted or is new.</i></p>

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		<p>Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Listing Statement or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.</p> <p><i>Under government regulations, producers of cannabis may have restrictions on the type and form of marketing they can undertake which could materially impact sales performance.</i></p> <p>The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by regulatory bodies. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.</p> <p><i>The Company and its subsidiaries could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company and its subsidiaries.</i></p> <p>The Company and its subsidiaries are exposed to the risk that their employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company and its subsidiaries that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; and/or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company or any subsidiaries to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company or subsidiaries, and is the Company or Subsidiary is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and</p>

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		<p>future earnings, and curtailment of the Company's operations; any of which could have a material adverse effect on the Company's business, financial condition and results of operations.</p> <p><i>The Company and its subsidiaries will be reliant on information technology systems and may be subject to damaging cyber-attacks.</i></p> <p>The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.</p> <p>The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. While the Company is in the process of obtaining a cyber liability insurance package, the Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.</p> <p><i>The Company and its subsidiaries may be subject to breaches of security at their facilities.</i></p> <p>Given the nature of the Company's product and its lack of legal availability outside of channels approved by regulatory authorities in jurisdictions in which the Company and its subsidiaries operate, as well as the concentration of inventory in their facilities, despite meeting or exceeding applicable regulatory security requirements there remains a risk of shrinkage as well as theft. A security breach at one of the Company's or a subsidiary's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.</p> <p><i>The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.</i></p> <p>The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as</p>

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		<p>such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention from the Company's executive officers and directors.</p> <p>In addition, the Company may also become involved in other transactions that conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or who may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.</p> <p><i>In certain circumstances, the Company's or a subsidiary's reputation could be damaged.</i></p> <p>Damage to the Company's or a subsidiary's reputation can be the result of the actual or perceived occurrence of any number of events, and could include negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company or a subsidiary and their activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it and its subsidiaries are perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and serve as an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.</p> <p><i>Negative Operating Cash Flow</i></p> <p>Although we expect to become profitable, there is no guarantee that will happen, and we may never become profitable. We currently have a negative operating cash flow and may continue to have that for the foreseeable future. A large portion of our expenses are fixed, including expenses related to facilities, equipment, contractual commitments and personnel. As a result, we expect our net losses from operations to improve, as the Company and its subsidiaries increase the revenue earned. Our ability to generate additional revenues and potential to become profitable will depend largely on our ability to manufacture and market our products. There can be no assurance that any such events will occur or that we will ever become profitable. Even if we do achieve profitability, we cannot predict the level of such profitability. If we sustain losses over an extended period of time, we may be unable to continue our business.</p>

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		<p><i>Need for additional financing</i></p> <p>We believe that we will have sufficient capital to operate our business for at least 12 months. However, it is possible that costs associated with the operation of our business will exceed our projections depending on the timing of future operating and capital expenses. We believe we may thereafter require additional capital for additional product development, sales and marketing operations, other operating expenses and for general corporate purposes to fund growth in our markets. We do not know how much additional funding we may require. We may therefore be required to seek other sources of financing in the future, which sources (assuming we are able to locate such alternative sources of financing since there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants) may be on terms less favorable to us than received in the past. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of the Shares. If adequate funds are not available on acceptable terms, we may be unable to develop/enhance or enhance our products take advantage of future opportunities, or respond to competitive pressures; any of which could have a material adverse effect on our business, financial condition and operating results. The preceding may force the Company and its subsidiaries to cease operations.</p> <p><i>Product Sales</i></p> <p>The sale of cannabis products by the Company and its subsidiaries may be based on distribution arrangements with third parties and if such third-party distributors do not buy sufficient product, we may not have sufficient distribution channels in which to sell our products. This could have an adverse impact on the Company's results of operations, financial position and cash flows.</p> <p><i>Product Recalls</i></p> <p>Any product recall could result in the Company incurring unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. In addition, 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. Although, the Company has detailed procedures in place for testing 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 the Company did experience a recall, the image of that brand and the Company could be harmed. A recall for any reason could lead to the decreased demand for the Company's products 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 Company's operations by government bodies or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.</p>

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		<p>Product Liability</p> <p>As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant harm, loss and/or injury. In addition, the manufacture and sale of the Company's 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 the Company's products alone or in combination with others, that the Company's products 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 its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.</p> <p>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 the Company's potential products. As of the current date, the Company has a small amount of insurance coverage for product liabilities but is seeking larger surplus coverage for product recalls and product liabilities.</p> <p><i>If we have a material weakness in our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities.</i></p> <p>One or more material weaknesses in our internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, our internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure or difficulty in implementing required new or improved controls, our business and results of operations could be harmed. We may not be able to provide reasonable assurance as to our financial results or meet our reporting obligations and there could be a material adverse effect on the price of our securities.</p> <p>Vulnerability to Rising Energy Costs</p> <p>The company's medical marijuana growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its subsidiaries, affecting their ability to operate profitably.</p> <p>Publicity or Consumer Perception</p>

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		<p>The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana 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 medical marijuana 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 products, the business, results of operations, financial condition, and the Company's cash flows. 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 products, and the business, results of operations, financial condition and cash flows of the Company. Adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events could have such a material and/or adverse effect on the business, results of operations, financial condition, and the Company's cash flow. Such adverse publicity reports or other media attention could arise even in circumstances whereby the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.</p> <p><i>Difficulties with Forecasts</i></p> <p>The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada, the United States and internationally. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.</p> <p><i>Financial Projections May Prove Materially Inaccurate or Incorrect</i></p> <p>The Company's financial estimates, projections and other forward-looking information accompanying this Listing Statement were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should research the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of</p>

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		<p>reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company might achieve.</p> <p><i>Risks Associated with Acquisitions</i></p> <p>As part of the Company's overall business strategy, the Company intends to pursue select strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such acquisitions will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company. Future acquisitions may expose the Company to potential risks, including risks associated with: (i) the integration of new operations, services and personnel; (ii) unforeseen or hidden liabilities; (iii) the diversion of resources from the Company's existing business and technology; (iv) potential inability to generate sufficient revenue to offset new costs; (v) the expenses of acquisitions; and (vi) the potential loss of or harm to relationships with both employees and existing users resulting from the Company's integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.</p> <p>While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's earnings per share or decrease and/or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Common Shares.</p> <p>The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such strategic acquisition with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in: (i) its business activities; (ii) deterioration in its employee and customer relationships; and (iii) increased costs of integration and harm to its reputation. All of the following could have a material adverse effect on the Company's business, financial condition and results of operations.</p>
	17.2 Risk of additional contribution	Not applicable

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	17.3 Other material risk factors	<p>Risks Relating to the Common Shares and/or Warrants</p> <p><i>Market Price of Shares and Volatility</i></p> <p>Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. Factors unrelated to our performance that may affect the price of the Common Shares and/or Warrants include the following: (i) the extent of analytical coverage available to investors concerning our business may be limited if investment banks with research capabilities do not follow the Company; (ii) decreasing in trading volume and general market interest in the Common Shares and/or Warrants may affect an investor's ability to trade significant numbers of Common Shares and/or Warrants; (iii) the size of our public float may limit the ability of some institutions to invest in Common Shares and/or Warrants; and (iv) a substantial decline in the price of the Common Shares and/or Warrants that persists for a significant period of time could cause the Common Shares and/or Warrants, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares and/or Warrants at any given point in time may not accurately reflect our long-term value. Securities class action litigation has been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares and/or Warrants may affect the pricing of the Common Shares and/or Warrants in the secondary market, the transparency and availability of trading prices, and the liquidity of the Common Shares and/or Warrants.</p> <p>The market price of the Common Shares and/or Warrants is affected by many other variables, which are not directly related to our success and are therefore not within our control. These include other developments that affect the breadth of the public market for the Common Shares and/or Warrants, the release or expiration of lock-up or other transfer restrictions on the Common Shares and/or Warrants, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares and/or Warrants is expected to make such market price volatile in the future, which may result in losses to investors.</p> <p><i>It may be difficult, if not impossible, for U.S. holders of the Company's Common Shares and/or Warrants to resell them over the CSE</i></p> <p>Major securities clearing firms in the United States have ceased participating in transactions related to securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. Accordingly, U.S. residents who acquire Shares as "restricted securities" may find it difficult – if not impossible – to resell such Common Shares and/or Warrants over the facilities of any Canadian stock exchange on which the Common Shares and/or Warrants may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the United States will have on the ability of U.S. residents to resell any Common Shares and/or Warrants that they may acquire in open market transactions. Our understanding is that all U.S. brokers must use a clearing service to facilitate resale transactions over Canadian securities exchanges. Some U.S. brokers have self-clearing capabilities; those that do not must use third party clearing firms. Furthermore, U.S. holders of the Company's</p>

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		<p>Common Shares and/or Warrants may have difficulty or be unable to open a brokerage account with a U.S. broker, which may restrict such holder's ability to trade its Common Shares and/or Warrants in a timely manner.</p> <p>Dividends We intend to retain earnings, if any, to finance the growth and development of our business and do not intend to pay cash dividends on the Common Shares in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions, and other factors.</p> <p>Dilution Future sales or issuances of equity securities could decrease the value of the Common Shares and/or Warrants, dilute shareholders' voting power and reduce future potential earnings per Share. We intend to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, development, exploration, acquisitions or other projects. We cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares and/or Warrants. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares and/or Warrants. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in earnings per Share.</p> <p>Transactions Engaged in by our Largest Shareholders, our Directors or Officers From time to time our directors and executive officers may sell Common Shares and/or Warrants on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, our directors and executive officers may sell a significant number of Common Shares and/or Warrants for a variety of reasons unrelated to the performance of our business. Our shareholders may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their Common Shares and/or Warrants. These sales could cause the market price of our Common Shares and/or Warrants to drop.</p> <p>The Company is a holding company The Company is a holding company and the vast majority of its assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to</p>

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		<p>applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.</p> <p>Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company's United States operations, which would have a material adverse effect on the Company, its lenders and other stakeholders.</p> <p><i>Reliance on International Advisors and Consultants</i></p> <p>The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices, differ from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep apprised of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.</p> <p><i>Risks related to potential changes to determining Foreign Private Issuer status in the United States</i></p> <p>The transactions contemplated by the Reorganization were structured so that the Company would be a Foreign Private Issuer as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), following completion of the Reorganization. The term 'Foreign Private Issuer' is defined as any non-U.S. corporation, other than a foreign government, <i>except</i> any issuer meeting the following conditions:</p> <p>(a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held on record by residents of the United States; and</p> <p>(b) any one of the following:</p>

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		<p>(i) the majority of the executive officers or directors are United States citizens or residents, or (ii) more than 50 percent of the assets of the issuer are located in the United States, or (iii) the business of the issuer is administered principally in the United States.</p> <p>The term 'held of record' is defined by Rule 12g5-1 under the Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder.</p> <p><i>Risks related to the Company's loss of Foreign Private Issuer status in the United States</i> The Company is expected to be a Foreign Private Issuer. If, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405) are directly or indirectly held of record by residents of the United States, and (i) the majority of the Company's executive officers or directors are United States citizens or residents, or (ii) more than 50 percent of the assets of the Company are located in the United States, or (iii) the business of the Company is administered principally in the United States, then the Company will no longer meet the definition of a Foreign Private Issuer, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's Foreign Private Issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations.</p> <p>Risks Relating to Emerging Markets</p> <p><i>Investments in emerging markets are subject to heightened risk as compared to investments in developed markets</i></p> <p>Emerging market investment generally poses a greater degree of risk than investment in more mature developed markets because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.</p> <p>We intend to derive an increasing portion of our revenue from emerging markets (such as South America and Eastern Europe). Our operations in these countries are exposed to political and economic risk, including risks relating to change in government policy. We are accordingly subject to a number of risks stemming from exchange-rate controls, change in exchange rates, inflation, problems with the repatriation of foreign earnings, dividends and investment capital (which would hinder the payment of dividends or other distributions to shareholders), as well as political instability in these countries.</p> <p>Global economic crises could negatively affect investor confidence in emerging markets or the economies of countries in South America or Eastern Europe. Such events could materially and adversely affect the Company's business, financial condition and results of operations.</p>

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		<p>In addition, we may find ourselves unable to defend our rights appropriately before the courts of these countries, particularly within the framework of litigation with the state or with state-controlled entities.</p> <p>Investments in emerging markets are subject to heightened risks and the Company may be adversely affected by, among other things, the following risks associated with emerging market economies:</p> <ul style="list-style-type: none"> • political and social instability; • government involvement, including, but not limited to, currency controls and risk of expropriation; • securities markets that are less liquid and which operate under different trading and market regulations; • difficulties in enforcing contractual rights; • currency volatility; • risk of high inflation; • infrastructure issues; • arbitrary and sudden changes to laws; • corruption, bribery, civil arrest, all of which may negatively impact and disrupt business operations; • greater susceptibility to commodity prices; and • greater susceptibility to the economic performance of trading partners. <p>The systems of corporate governance to which companies in emerging markets are subject may be less advanced than that to which Canadian issuers are subject. Therefore, shareholders in such companies may not receive many of the protections available to shareholders in Canada.</p> <p>Securities laws in many emerging market countries are relatively new and unsettled. In addition, laws regarding foreign investment in emerging market securities, securities regulation, title to securities and shareholder rights may change quickly and unpredictably. Further, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent and subject to sudden change.</p> <p>A crisis in other emerging markets countries could dampen investor enthusiasm for securities of issuers with emerging market operations. Investments in foreign markets also carry potential exposure to the risk of political upheaval, acts of terrorism and war, and/or expropriation by governments; all of which could have an adverse impact on the value of the securities.</p> <p><i>Ability to Exercise Statutory Rights and Remedies under Canadian Securities Laws</i></p> <p>The Company is incorporated in the province of Ontario in Canada. However, the Company's subsidiaries are organized under the laws of jurisdictions outside of Canada and certain of the officers and directors of the Company and its subsidiaries reside outside of Canada. This may</p>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>limit an investor's ability to exercise statutory rights and remedies under Canadian laws. In particular, a Canadian court may determine that it does not have jurisdiction over a claim by an investor against one of the Company's subsidiaries and/or its officers and directors, or that another international jurisdiction is the more convenient forum to adjudicate the claim.</p> <p>Additionally, it may be difficult for an investor, or any other person or entity, to assert a claim based on Canadian laws in original actions instituted in an international jurisdiction. Courts in such international jurisdiction may refuse to hear a claim based on a violation of Canadian laws on the grounds that the international jurisdiction is not the most appropriate forum in which to bring such a claim. Even if a court in such international jurisdiction agrees to hear a claim, it may determine that the law in such international jurisdiction and not Canadian law is applicable to the claim. If a Canadian law is found to be applicable, the content of applicable Canadian law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by the law in the relevant international jurisdiction.</p> <p><i>Difficulty in Enforcement of Judgments</i></p> <p>We are a holding company and the majority of our assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company's subsidiaries, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws. Investors may be effectively prevented from pursuing remedies against the Company's subsidiaries under Canadian securities laws or otherwise.</p> <p>The Company has subsidiaries incorporated in Colombia, Brazil, and Australia. Certain directors and officers, including our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Company's directors and officers who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims or otherwise in original actions instituted in Colombia, Brazil, and Australia.</p> <p>Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in an international jurisdiction agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by the law in the international jurisdiction.</p>

	Information Required by Form 2A Listing Statement	Issuer Response
		<p>Risks Relating to Taxes</p> <p><i>U.S. Domestic Corporation for U.S. Federal Income Tax Purposes</i></p> <p>As a result of the Reorganization, the Company will be treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the Internal Revenue Code of 1986, as amended (the “Code”). As a result, the Company will be subject to U.S. income tax on its worldwide income and that any dividends paid by the Company to Non-U.S. Holders (as defined in the discussion under “<i>Certain United States Federal Income Tax Considerations — Non-U.S. Holders</i>”) will be subject to U.S. federal income tax withholding at a 30% rate or such lower rate as provided in an applicable treaty. The Company will continue to be treated as a U.S. domestic corporation for U.S. federal tax purposes.</p> <p>In addition, Section 382 of the Code contains rules that limit for U.S. federal income tax purposes the ability of a corporation that undergoes an “ownership change” to utilize its net operating losses (and certain other tax attributes) existing as of the date of such ownership change. Under these rules, a corporation is treated as having had an “ownership change” if there is more than a 50% increase in stock ownership by one or more “five percent shareholders,” within the meaning of Section 382 of the Code, during a rolling three-year period. The Company does not have any net operating loss carry forwards or research and development credit carry forwards as of December 31, 2017 that would be subject to Section 382 of the Code.</p> <p>Furthermore, the Company will be subject to Canadian income tax on its worldwide income. Consequently, it is anticipated that the Company will be liable for both U.S. and Canadian income tax, which could have a material adverse effect on its financial condition and results of operations.</p> <p>Because the Common Shares are treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a Non-U.S. Holder of Common Shares.</p> <p><i>Withholding Tax on Dividends</i></p> <p>Dividends received by holders (defined below) of Common Shares who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. A foreign tax credit under the Tax Act in respect of such U.S. withholding taxes may not be available to such holder. See “<i>Certain Canadian Federal Income Tax Considerations — Holders Resident in Canada — Dividends on Common Shares</i>”.</p> <p>Dividends received by Non-Resident Holders (defined below) of Common Shares who are U.S. Holders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. It is anticipated that the Company will be considered to be a U.S. domestic</p>

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>
		<p>corporation for U.S. federal income tax purposes. As such, dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code. See “<i>Certain United States Federal Income Tax Considerations</i>”.</p> <p>A holder that is both a Non-Resident Holder (defined below) and a Non-U.S. Holder may be subject to (a) Canadian withholding tax (see “<i>Certain Canadian Federal Income Tax Considerations</i>”), and (b) United States withholding tax (see “<i>Certain United States Federal Income Tax Considerations</i>”), on dividends received on the Common Shares. Non-Resident Holders (defined below) and Non-U.S. Holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions in respect of any Canadian or United States withholding tax applicable to dividends on the Common Shares.</p> <p>The foregoing discussion is subject in its entirety to the summaries set forth in “<i>Certain Canadian Federal Income Tax Considerations</i>” and “<i>Certain United States Federal Income Tax Considerations</i>”.</p> <p><i>U.S. Tax Classification – United States Real Property Holding Corporation</i></p> <p>The Company is treated as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874 of the Code. As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Company’s Non-U.S. Holders upon a disposition of Common Shares generally depends on if the Company is classified as a United States real property holding corporation (a “USRPHC”) under the Code. The Company believes that it is not currently, and has never been, a USRPHC. However, the Company has not sought and does not intend to seek formal confirmation of its status as a non-USRPHC from the Internal Revenue Service (“IRS”). If the Company ultimately is determined by the IRS to constitute a USRPHC, its Non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of the Common Shares. See “<i>Certain United States Federal Income Tax Considerations</i>”.</p> <p><i>U.S. Federal Income Tax Treatment of the Company</i></p> <p>Code Section 280E, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the Controlled Drugs and Substances Act). IRS has invoked Code Section 280E in tax audits of various cannabis businesses in the U.S. that are permitted to operate under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several cases pending before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Code Section 280E favorable to cannabis businesses.</p>

	Information Required by Form 2A Listing Statement	Issuer Response
		U.S. states and localities may impose excise, cultivation, sales and other similar taxes on cannabis businesses or their customers. For example, California law imposes an excise tax to be paid by the end-consumer and the dispensary; a cultivation tax also must be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to any sales and use tax imposed at the state and local level. The tax regime that is applicable to the Company's business will have a direct impact on its operations and profitability. In extreme cases, the applicable tax regime may make pursuing the Company's expected business plan unprofitable.
18.	Promoters	Not applicable
	18.1 Identity of promoters, shares held and assets acquired from or transferred to the Company by promoters	
	18.2 Promoter subject to cease trade order, bankruptcy, penalties or sanctions	Not applicable
19.	Legal Proceedings	
	19.1 Material legal proceedings	

	Information Required by Form 2A Listing Statement	Issuer Response
	19.2 Regulatory actions	None.
20	<p>Interest of Management and Others in Material Transactions</p> <p>20.1 Management interests in material transactions</p>	<p>For purposes of the following discussion, "Informed Person" means (a) a Director or Executive Officer of the Corporation; (b) a Director or Executive Officer of a person or company that is itself an Informed Person or a subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than ten percent (10%) of the voting rights attached to all outstanding voting securities of the Corporation, other than the voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Corporation itself if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.</p> <p>Except as disclosed below, elsewhere herein or in the notes to the Corporation's financial statements for the financial year ended December 31, 2020, none of:</p> <ul style="list-style-type: none"> (a) the Informed Persons of the Corporation; (b) a proposed nominee for election as a Director of the Corporation; or (c) any associate or affiliate of the foregoing persons, <p>has any material interest, direct or indirect, in any transaction since the commencement of the last financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any subsidiary of the Corporation.</p> <p>Private Placement On February 7, 2020, the Corporation completed a non-brokered private placement offering of 10,189,758 units (each a "Unit", and collectively, "Units"), at a price of \$0.45 per Unit, for aggregate gross proceeds of approximately \$4.6 million. Each Unit is comprised of one (1) Common Share and one (1) Common Share purchase warrant (each, a "Warrant", and collectively, "Warrants"), entitling the holder thereof to acquire one (1) additional Common Share (each, a "Warrant Share") at a price of \$0.45 per Warrant Share for a period of thirty-six (36) months from the date of issuance of the Units, subject to the Accelerated Exercise Period (as hereinafter defined). In the event that, beginning on the date that is four (4) months and one (1) day following the date of issuance of the Units, the daily volume-weighted average trading price of the Common Shares on a recognized Canadian stock exchange is greater than \$0.90 for twenty (20) consecutive trading days (each, a "Trigger Event"), the Corporation will have the right (but not the obligation) to, within ten (10) calendar days of any Trigger Event, deliver a notice to each of the subscribers for Units (each, a "Subscriber") advising such Subscriber of the Trigger Event, in which case such Subscriber will have a period of thirty (30) days following the date of such notice (the "Accelerated Exercise Period") to exercise the Warrants and any unexercised Warrants shall automatically expire at the end of the Accelerated Exercise Period.</p> <p>John McKimm, Director, participated in the amount of \$43,110; and Neal Hochberg, Director, participated in the amount of \$100,000.</p>

	Information Required by Form 2A Listing Statement	Issuer Response
21 .	Auditors, Transfer Agents and Registrars 21.1 Name and address of the auditor for the Company	MNP LLP 50 BURNHAMTHORPE ROAD WEST, SUITE 900 MISSISSAUGA, ON L5B 3C2
	21.2 Name and location of transfer agent for each class of securities	The Company's registrar and transfer agent for its Common Shares, Proportionate Voting Shares and Warrants is Odyssey Trust located in Calgary, Alberta.
22 .	Material Contracts 22.1 Particulars for each material contract	<p><u>Material Contracts</u></p> <ol style="list-style-type: none"> 1. Amended and Restated Binding Term Sheet and Agreement by and among Consortium Inc., Consortium Michigan LLC, Green Standard Inc., and the shareholders of Green Standard Inc. dated as of January 1, 2019 and as amended to date. 2. Transaction Agreement dated August 13, 2018 between Consortium Florida and Can Endeavour LLC regarding the acquisition of units of Knox Servicing held by Can Endeavour LLC in exchange for cash and units of Consortium LLC ("Smith Transaction Agreement"). Amendment No. 1 dated January 1, 2019 to Smith Transaction Agreement (including accompanying promissory note, security agreement, guaranty, Dispensary Termination Agreement and Sage Consulting Agreement) which extends the terms of repayment of the promissory note under the Smith Transaction Agreement and terminates the revenue sharing arrangement with Sage, Investing, LLC.

	<p>Information Required by Form 2A Listing Statement</p>	<p>Issuer Response</p>															
		<p>This agreement was amended and restated on January 16, 2020 to provide for the restructuring of the Company's obligation under the agreement. The aggregate principal amount of the amended note is \$12,933,290.02, which includes all accrued interest from the date of the Note to December 16, 2019 converted into principal. The Amended Note was converted into 21,555,483 common shares of the Company on May 6, 2021.</p> <p>3. Credit Agreement, dated as of April 29, 2021, between Consortium Holdings LLC, the Lenders party thereto and Acquiom Agency Services LLC as administrative agent and collateral agent.</p> <p>4. Management Agreement, dated as of July 17, 2020, by and between Fluent Servicing, LLC and Freedom Town Holdings, LLC, as amended to date.</p> <p><u>Material Licenses</u></p> <table border="1"> <tr> <td data-bbox="352 922 762 1047">Spirit Lake Road Nursery, LLC</td><td data-bbox="762 922 1377 1047">Florida Department of Health</td><td data-bbox="1377 922 1896 1047">Medical Marijuana Treatment Center License #MMTC-2015-0003</td></tr> <tr> <td data-bbox="352 1047 762 1141">Fluent Servicing, LLC</td><td data-bbox="762 1047 1377 1141">Florida Department of Agriculture and Consumer Services</td><td data-bbox="1377 1047 1896 1141">Annual Food Permit #2021-R-1888500</td></tr> <tr> <td data-bbox="352 1141 762 1235">Consortium Pennsylvania, LLC</td><td data-bbox="762 1141 1377 1235">Pennsylvania Department of Health</td><td data-bbox="1377 1141 1896 1235">Dispensary Permit #D-3029-17</td></tr> <tr> <td data-bbox="352 1235 762 1330">Consortium Texas, LLC</td><td data-bbox="762 1235 1377 1330">Texas Department of Public Safety</td><td data-bbox="1377 1235 1896 1330">Dispensing Organization License #0004</td></tr> <tr> <td data-bbox="352 1330 762 1409">Green Standard Cultivation LLC*</td><td data-bbox="762 1330 1377 1409">Michigan Marijuana Regulatory Agency</td><td data-bbox="1377 1330 1896 1409">Medical Marijuana Grower Facility Licenses, Class C:</td></tr> </table>	Spirit Lake Road Nursery, LLC	Florida Department of Health	Medical Marijuana Treatment Center License #MMTC-2015-0003	Fluent Servicing, LLC	Florida Department of Agriculture and Consumer Services	Annual Food Permit #2021-R-1888500	Consortium Pennsylvania, LLC	Pennsylvania Department of Health	Dispensary Permit #D-3029-17	Consortium Texas, LLC	Texas Department of Public Safety	Dispensing Organization License #0004	Green Standard Cultivation LLC*	Michigan Marijuana Regulatory Agency	Medical Marijuana Grower Facility Licenses, Class C:
Spirit Lake Road Nursery, LLC	Florida Department of Health	Medical Marijuana Treatment Center License #MMTC-2015-0003															
Fluent Servicing, LLC	Florida Department of Agriculture and Consumer Services	Annual Food Permit #2021-R-1888500															
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Green Standard Cultivation LLC*	Michigan Marijuana Regulatory Agency	Medical Marijuana Grower Facility Licenses, Class C:															

	Information Required by Form 2A Listing Statement	Issuer Response		
				GR-C-000316 GR-C-000317 GR-C-000318 GR-C-000319
		Green Standard Cultivation LLC*	Michigan Marijuana Regulatory Agency	Adult Use Marihuana Grower Facility Licenses, Class C: AU-G-C-000220 AU-G-C-000221
		Green Standard Cultivation LLC*	Arlington Township, Michigan	Marihuana Facilities Licenses (3; unnumbered)
* The 3 Michigan licenses are not the property of the Company, however the Company retains the right to acquire these licenses under the Amended & Restated Binding Term Sheet, once regulatory approval is received.				
	22.2 Copies of co-tenancy, unitholders' or limited partnership agreements	Not applicable		
23 .	Interest of Experts 23.1 Direct or indirect interests of experts in the property of the	Harris + Harris LLP does not have, directly or indirectly, an interest in the property of the Company. The independent auditors of the Company and for the financial statements forming part of this Listing Statement are MNP LLP, who directly or indirectly do not have any interest in the property of the Company.		

	Information Required by Form 2A Listing Statement	Issuer Response
	Company or a Related Party	
	23.2 Direct or indirect interests of experts in the securities of the Company or a Related Party	<p>Harris + Harris LLP does not have, directly or indirectly, an interest in the securities of the Company.</p> <p>MNP LLP does not have, directly or indirectly, an interest in the securities of the Company.</p>
	23.3 Statement to the effect that ownership interest is less than 1%	<p>As of the date of this Listing Statement, Harris + Harris LLP beneficially owns, directly or indirectly, in the aggregate, less than 1% of the outstanding securities of the Company.</p> <p>As of the date of this Listing Statement, MNP LLP beneficially owns, directly or indirectly, in the aggregate, less than 1% of the outstanding securities of the Company.</p>
	23.4 Disclosure that expert is, or is expected to be, appointed as a director or officer of the Issuer	<p>Not applicable</p>

	Information Required by Form 2A Listing Statement	Issuer Response
24.	Other Material Facts 24.1 Describe other material facts not disclosed elsewhere	Not applicable
25.	Financial Statements 25.1 Audited financial statements including auditor's report	See Schedule "A"
	25.2 Additional information for issuers requalifying for listing following a fundamental change	Not applicable
	Certificate of the Issuer	See Schedule "C"

SCHEDULE “A” – Consolidated Financial Statements for the years ended December 31, 2020 and 2019 & Selected Financial Information and
*Management’s Discussion and Analysis

SCHEDULE “B” – Form 2A, Section 14 – Capitalization Tables

SCHEDULE “C” – Certificate of Issuer

SCHEDULE B

14. CAPITALIZATION TABLES

14.1 The following chart sets out for the Issuer's Common Shares listed on the Exchange:

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted) ⁽²⁾	% (non-diluted)	% (fully diluted)
<u>Public Float</u>				
Total Outstanding (A)	187,915,750	258,757,701	100%	100%
Held by Related Persons or employees of the Issuer or Related Persons of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)				
	43,243,858	63,863,524	23%	25%
Total Public Float (A-B)	144,671,897	194,894,177	77%	75%
<u>Freely Tradable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) Total				
	2,127,269	2,127,269	1%	1%
Tradable Float (A-C)	185,788,486	256,630,432	99%	99%

14.2 The following chart sets out details of securities of the Issuer convertible or exchangeable into any class of listed securities:

Share Capital

As of December 31, 2020, the share capital of the Company is comprised of 113,803,920 common shares, 7,411,183 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 40,361,452 warrants and convertible debt allotments and 11,623,649 stock options as of December 31, 2020.

Earnings per share have been calculated using the weighted average number of shares outstanding during a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares have a dilutive effect on earnings per share. The weighted average number of basic and diluted shares are presented in the table below:

	December 31, 2020	December 31, 2019
Weighted average number of shares - basic	198,999,746	185,593,303
Weighted average warrants	33,586,992	24,339,927
Weighted average convertible debt allotment	17,933,011	12,355,276
Weighted average options	11,623,649	1,181,924
Weighted average number of shares - diluted	262,143,398	223,470,430

14.3 The following are details of listed securities reserved for issuance that are not included in section 14.2:

None.

SCHEDULE "C"

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Consortium Inc. hereby applies for the listing of the above-mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Consortium Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at this 5th day of May, 2021.

(signed) *Robert Beasley*

Robert Beasley

Director (Chief Executive Officer)

(signed) *Patricia Fonseca*

Patricia Fonseca

Chief Financial Officer

Cansortium Inc.

Consolidated Financial Statements

**For the years ended
December 31, 2020 and 2019**

(Expressed in thousands of United States Dollars unless otherwise stated)

Cansortium Inc.
Management's Responsibility for Financial Reporting

To the Shareholders of Cansortium Inc.:

The accompanying consolidated financial statements in this annual report were prepared by management of Cansortium Inc. (the "Company") and were reviewed and approved by the Board of Directors of Cansortium Inc.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's consolidated financial condition and results of operations in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditor, MNP LLP, and their report is represented herein.

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

April 30, 2021

Cansortium Inc.
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Independent Auditor's Report

To the Shareholders of Consortium Inc.:

Opinion

We have audited the consolidated financial statements of Consortium Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a net loss during the year ended December 31, 2020 and, as of that date, had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in

the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta.

Mississauga, Ontario

April 30, 2021

MNP LLP
Chartered Professional Accountants

Licensed Public Accountants

MNP

Cansortium Inc.
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 3,392	\$ 2,516
Accounts receivable		148	144
Inventory, net	Note 3	5,006	6,709
Biological assets	Note 4	1,914	3,845
Note receivable	Note 5	3,859	3,870
Prepaid expenses and other current assets	Note 6	1,365	556
Total current assets		15,684	17,640
Investment held for sale	Note 7	200	-
Assets held for sale	Note 7	-	6,301
Property and equipment, net	Note 8	19,517	19,128
Intangible assets, net	Note 9	97,035	98,566
Right-of-use assets	Note 15	19,094	20,190
Investment in associate	Note 10	-	3,424
Deposit	Note 10	1,050	-
Goodwill	Note 11	1,526	1,526
Other assets		425	291
Total assets		\$ 154,531	\$ 167,066
Liabilities			
Current liabilities			
Accounts payable		4,808	7,860
Accrued liabilities		7,614	5,135
Income taxes payable	Note 12	8,925	1,492
Derivative liabilities	Note 13	7,412	13,198
Current portion of notes payable	Note 14	38,583	9,350
Lease obligations	Note 15	1,894	1,761
Total current liabilities		69,236	38,796
Liabilities held for sale	Note 7	-	3,240
Notes payable, net of current portion	Note 14	13,182	31,729
Lease obligations, net of current portion	Note 15	20,811	21,166
Deferred income taxes	Note 12	23,471	24,957
Total liabilities		126,700	119,888
Shareholders' equity			
Share capital	Note 16	137,835	149,322
Share-based compensation reserve	Note 16	4,675	2,977
Equity conversion feature	Notes 14, 16	11,044	7,613
Warrants		13,265	11,773
Accumulated deficit		(138,609)	(123,785)
Accumulated other comprehensive loss		(379)	(563)
Total shareholders' equity attributable to Cansortium Inc. shareholders		27,831	47,337
Non-controlling interests		-	(159)
Total shareholders' equity		27,831	47,178
Total liabilities and shareholders' equity		\$ 154,531	\$ 167,066

Nature of Operations (Note 1)

Commitments and Contingencies (Note 19)

Subsequent Events (Note 22)

Approved and authorized for issue on behalf of the Shareholders on April 30, 2021:

Robert Beasley
Chief Executive Officer

Patricia Fonseca
Chief Financial Officer

Cansortium Inc.
Consolidated Statements of Operations
For the years ended December 31, 2020 and 2019
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the years ended	
		December 31,	
		2020	2019
Revenue, net of discounts		\$ 52,388	\$ 28,511
Cost of goods sold		19,113	10,596
Inventory and biological assets reserve	<i>Note 3 and 4</i>	1,918	-
		31,357	17,915
Realized fair value of increments on inventory sold		(18,998)	(9,594)
Unrealized change in fair value of biological assets	<i>Note 4</i>	17,516	9,735
Gross profit		29,875	18,056
Expenses			
General and administrative	<i>Note 17</i>	12,517	21,720
Share-based compensation		5,744	7,161
Sales and marketing	<i>Note 17</i>	13,855	12,165
Depreciation and amortization	<i>Notes 8, 9, 15</i>	6,173	7,869
Total expenses		38,289	48,915
Loss from operations		(8,414)	(30,859)
Other expense (income)			
Interest expense, net	<i>Note 14</i>	13,760	14,811
Change in fair market value of derivative liability	<i>Note 13</i>	(1,065)	(328)
Change in derivative for equity price guarantee	<i>Note 10, 14</i>	(1,188)	-
Equity loss on investment in associate	<i>Note 10</i>	153	353
Loss on debt restructuring	<i>Note 14</i>	8,065	-
Loss on disposal of assets		964	2,909
Expected credit loss on note receivable	<i>Note 5</i>	1,286	-
Other expense		9	462
Total other expense (income)		21,984	18,207
Loss before income taxes		(30,398)	(49,066)
Income taxes	<i>Note 12</i>	6,336	4,164
Net loss		(36,734)	(53,230)
(Gain)/Loss from discontinued operations	<i>Note 7</i>	(115)	12,415
Net loss after discontinued operations		\$ (36,619)	\$ (65,645)
Other comprehensive loss:			
Foreign exchange translation gain (loss)		184	(75)
Comprehensive loss		\$ (36,435)	\$ (65,720)
Net income (loss) attributable to non-controlling interest		-	(313)
Net loss attributable to controlling interest		\$ (36,619)	\$ (65,332)
Net loss per share			
Basic	<i>Note 16</i>	\$ (0.18)	\$ (0.36)
Diluted	<i>Note 16</i>	\$ (0.18)	\$ (0.36)

Cansortium Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020, and 2019
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital			Reserves				Accumulated deficit	Non-controlling interests	Accumulated other comprehensive loss	Total shareholders' equity
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based compensation reserve	Equity conversion feature	Warrants					
Balance, December 31, 2018	144,379,176	11,166,850	\$ 91,655	\$ -	\$ -	\$ 296	\$ (25,237)	\$ (515)	\$ (488)	\$ 65,711	
Adjustment on initial application of IFRS 16 (Note 15)	-	-	-	-	-	-	(1,261)	-	-	(1,261)	
Deferred income tax adjustment (Note 12)	-	-	-	-	-	-	(22,286)	-	-	(22,286)	
Issuance of shares (Note 16)	28,089,099	-	40,944	-	5,091	9,892	-	-	-	55,927	
Issuance of shares to acquire additional non-controlling interest of subsidiaries (Note 16)	5,013,161	(648,545)	9,000	-	-	-	(9,669)	669	-	-	
Shares issued for professional services (Note 16)	208,432	-	374	-	-	-	-	-	-	374	
Vesting of employee compensation shares	84,091	(84,091)	231	-	-	-	-	-	-	231	
Vesting of professional services shares	437,113	(437,113)	3,458	-	-	-	-	-	-	3,458	
Vesting of shares issued to acquire Green Standard assets (Note 10)	1,000,000	(1,000,000)	1,180	-	-	-	-	-	-	1,180	
Shares forfeited (Note 16)	(66,667)	(50,000)	(50)	-	-	-	-	-	-	(50)	
Issuance of shares (Note 16)	4,124,166	-	-	-	-	-	-	-	-	-	
Issuance of options (Note 16)	-	-	-	2,639	-	-	-	-	-	2,639	
Conversion of notes payable to equity	1,220,000	-	2,440	-	-	-	-	-	-	2,440	
Conversion of warrants	59,790	-	90	-	-	(90)	-	-	-	-	
Issuance of warrants	-	-	-	338	2,522	1,675	-	-	-	4,535	
Foreign currency loss on translation	-	-	-	-	-	-	-	-	(75)	(75)	
Net loss	-	-	-	-	-	-	(65,332)	(313)	-	(65,645)	
Balance, December 31, 2019	184,548,361	8,947,101	\$ 149,322	\$ 2,977	\$ 7,613	\$ 11,773	\$ (123,785)	\$ (159)	\$ (563)	\$ 47,178	
Founders shares return (Note 16 a.)	(14,215,385)	-	(10,970)	-	-	-	10,970	-	-	-	
Note payable amendment (Note 16 b.)	14,215,385	-	5,743	-	3,431	-	-	-	-	9,174	
Shares returns for sale of interest in subsidiaries (Note 16 c.)	(4,124,166)	-	(3,071)	-	-	-	1,056	159	-	(1,856)	
Issuance of shares and warrants (Note 16 d.)	10,189,758	-	2,996	-	-	1,355	-	-	-	4,351	
Shares issued for consulting services (Note 16 e.)	1,000,000	-	245	-	-	-	-	-	-	245	
Shares returns for sale of interest in Canada subsidiary (Note 16 f.)	(1,500,000)	-	(1,080)	-	-	-	197	-	-	(883)	
Shares issued for debenture consent (Note 16 f.)	1,492,854	-	575	-	-	-	-	-	-	575	
Warrants and shares issued for professional services (Note 16 g.)	1,250,000	-	431	-	-	137	-	-	-	568	
Shares return for settlement with former partner (Note 16 g.)	-	(4,836,364)	-	-	-	-	-	-	-	-	
Shares issued for convertible debentures amendment (Note 16 h.)	4,626,895	-	1,550	-	-	-	-	-	-	1,550	
Founders shares return (Note 16 i.)	(13,008,870)	-	(9,572)	-	-	-	9,572	-	-	-	
Shares issued for professional services	408,286	-	155	-	-	-	-	-	-	155	
Vesting of professional services shares	905,364	(905,364)	2,303	-	-	-	-	-	-	2,303	
Cancellation of professional services shares	-	(1,078,104)	(713)	-	-	-	-	-	-	(713)	
Vesting of employee compensation shares	-	-	51	-	-	-	-	-	-	51	
Issuance of shares to acquire GSI (Note 10)	2,727,723	-	1,050	-	-	-	-	-	-	1,050	
Return of shares from GSI (Note 10)	(2,727,723)	-	(1,180)	-	-	-	-	-	-	(1,180)	
Issuance of options	-	-	-	1,698	-	-	-	-	-	1,698	
Foreign currency gain on translation	-	-	-	-	-	-	-	-	184	184	
Net loss	-	-	-	-	-	-	(36,619)	-	-	(36,619)	
Balance, December 31, 2020	185,788,482	2,127,269	\$ 137,835	\$ 4,675	\$ 11,044	\$ 13,265	\$ (138,609)	\$ -	\$ (379)	\$ 27,831	

Cansortium Inc.
Consolidated Statements of Cash Flow
For the years ended December 31, 2020, and 2019
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the years ended December	
	2020	2019
Operating activities		
Net loss	\$ (36,619)	\$ (65,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized gain on changes in fair value of biological assets	(17,516)	(9,735)
Realized gain on changes in fair value of biological assets	18,998	9,594
Expected credit loss on note receivable	1,286	-
Inventory and biological assets reserve	1,918	-
Share-based compensation	5,744	6,652
Depreciation and amortization	8,276	8,871
Discontinued operations	459	12,415
Accretion of convertible debentures	7,344	5,578
Interest on lease liabilities	2,516	2,281
Change in fair market value of derivative	(1,065)	(328)
Loss on investment in associate	153	353
Loss on debt restructuring	8,065	-
Loss on disposal of assets	828	2,909
Deferred tax expense	(2,692)	2,671
Changes in operating assets and liabilities:		
Accounts receivable	(4)	(165)
Inventory	(100)	(4,026)
Biological assets	269	(1,155)
Prepaid expenses and other current assets	(484)	(506)
Other assets	(134)	403
Accounts payable	(4)	3,565
Accrued liabilities	3,268	1,226
Income taxes payable	7,433	1,492
Other liabilities	149	870
Net cash provided by (used in) operating activities	8,088	(22,680)
Investing activities		
Purchases of property and equipment	(5,192)	(13,844)
Purchase of intangible assets	-	(319)
Payment of notes receivable	372	-
Notes receivable	(1,647)	(3,870)
Proceeds from sale of subsidiary	600	-
Net cash used in investing activities	(5,867)	(18,033)
Financing activities		
Proceeds from IPO	-	50,836
Proceeds from issuance of shares and warrants	4,351	-
Proceeds from issuance of notes payable	65	37,584
Proceeds from sale of property and equipment	-	204
Payment of lease obligations	(4,278)	(3,500)
Return of shares	(1,180)	-
Principal repayments of notes payable	(487)	(43,840)
Net cash provided by financing activities	(1,529)	41,284
Effect of foreign exchange on cash and cash equivalents	184	(75)
Net increase in cash and cash equivalents	876	496
Cash and cash equivalents, beginning of year	2,516	2,026
Cash and cash equivalents, end of year	\$ 3,392	\$ 2,522
Cash	3,392	2,516
Cash included in assets held for sale	-	6
Cash and cash equivalents, end of year	\$ 3,392	\$ 2,522
Cash paid during the period for interest	\$ 3,253	\$ 4,144
Non-cash transactions:		
Founders shares return	\$ 10,970	\$ -
Note payable amendment	\$ 10,380	\$ -
Issuance of shares to acquire additional non controlling interest of subsidiary	\$ -	\$ 9,000
Shares returns for sale of interest in subsidiaries	\$ 4,374	\$ -
Issuance of shares for Investent in Green Standard	\$ -	\$ 3,777
Future equity price guarantee	\$ -	\$ 2,597
Conversion of accrued interest and notes payable equity	\$ -	\$ 2,440

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

1. NATURE OF OPERATIONS

Cansortium Inc. was incorporated under the laws of the Province of Ontario, Canada pursuant to the Ontario Business Corporations Act. ("OBCA") on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137.

On March 22, 2019, the Company acquired all shares of Cansortium Holdings LLC, ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF".

The Company, through its subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas and is licensed to sell medical cannabis in Pennsylvania.

The Company's medical cannabis products are offered in oral drops, capsules, suppositories, topicals, syringes, dried flower, pre-rolls, cartridges and edibles. All of its products are marketed under the Fluent™ brand name, which was launched in May 2019. Prior to the launch of the Fluent brand the Company had operated under the Knox Medical™ brand. In Pennsylvania, the Company's product portfolio includes a variety of third-party branded medical cannabis products.

During the year ended December 31, 2019, the Company discontinued its operations in Puerto Rico, Canada and Colombia and, as a result, classified the assets and liabilities associated with these operations as held for sale, measured at the lower of carrying amount and fair value less costs to sell, and has disclosed such assets separately in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the consolidated statements of operations. The Company completed the sale of its Puerto Rican business on April 28, 2020 and completed the sale of its Canadian business on May 29, 2020. Additionally, on January 22, 2020, the Company reduced its ownership of Cansortium Colombia S.A.S (Cansortium Colombia) to 50% (see Notes 7 and 16) and classified its Cansortium Colombia investment held for sale separately in the statement of financial position.

The Company, through its wholly-owned subsidiary Cansortium Brazil Ltda. ("Cansortium Brazil"), obtained a permit for a Pharmaceutical Industry and Distribution License in Brazil, issued by the National Health Surveillance Agency ("ANVISA"), and has an exclusive distribution agreement with a pharmacy supply company in Brazil, Distribuidora de Medicamentos Santa Cruz Ltda. No activities were undertaken during 2020.

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the years ended December 31, 2020 and 2019 were generated in the United States.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

1. NATURE OF OPERATIONS (Continued)

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due for the foreseeable future.

The Company has recorded a net loss of \$36,619 on its consolidated statement of operations, a positive cash flows from operations of \$8,088 during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit in the amount of \$138,609. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

To date, the Company has been successful in obtaining enough funding for operating and capital requirements primarily through equity and debt financings. The ability of the Company to continue as a going concern is dependent upon its ability to achieve profitable operations and renegotiate existing financings. While the Company has been effective in raising financing in the past, there is no assurance that it will be able to successfully obtain additional financing as needed. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and classifications on the statement of financial position that would be necessary if the going concern assumption was not appropriate. On April 29, 2021, the Company raised \$71 million through a Senior Secured Term Loan. The proceeds from this new debt will be used to repay its current debt and provide capital to expand the Company's operations (see also Note 21).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 30, 2021.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial assets, liabilities and biological assets that are measured at fair value.

(c) Functional and Presentation of Foreign Currency

The consolidated financial statements are presented in thousands of United States ("U.S.") dollars unless otherwise stated. The functional currency of the Canadian subsidiaries is the Canadian dollar. The functional currency of the Brazilian subsidiary is the Brazilian Reals. The functional currency of the Australian subsidiary is the Australian dollar. The functional currency of the Colombian subsidiary is the Colombian peso.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Functional and Presentation of Foreign Currency (Continued)**

The assets and liabilities of foreign operations are translated into U.S. dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

(d) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are considered. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of operations and in the consolidated statement of changes in stakeholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are included in these consolidated financial statements and the ownership interest held as of December 31, 2020 and 2019, respectively.

	% Ownership December 31, 2020	% Ownership December 31, 2019
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC (see Note 17)	100.00%	100.00%
Cansortium Texas, LLC	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
1931074 Ontario, Inc. (see note 17)	-	100.00%
Cansortium Canada Servicing Inc. (see Note 17)	-	100.00%
Cansortium Pennsylvania, LLC	100.00%	100.00%
Cansortium Brazil, Ltda.	100.00%	100.00%
Cansortium Australia Pty. Ltd	50.00%	84.51%
Cansortium Health Partners, LLC	100.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Fluent Servicing, LLC	100.00%	100.00%
Cansortium Colombia S.A.S (see Note 17)	50.00%	100.00%
Arcadia EcoEnergies, Ltd. (see Note 17)	-	52.00%
Spirit Lake Road Nursery, LLC	100.00%	100.00%
16171 Slater Road Investors LLC	100.00%	100.00%
Cansortium Oregon LLC	-	100.00%
Cansortium Washington, LLC	-	100.00%
Cansortium California LLC	-	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cloud Nine Capital, LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Basis of Consolidation (Continued)**

	% Ownership December 31, 2020	% Ownership December 31, 2019
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Cansortium Property Holdings, Inc. (see Note 7)	-	100.00%
Fluent Hemp LLC	100.00%	100.00%
Cansortium Ohio, LLC	-	85.00%
Cansortium Beverage Company Inc.	100.00%	100.00%
Cansortium International Inc.	100.00%	100.00%

(e) Cash and cash equivalents

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, and cash held at retail locations.

(f) Investment

The Company accounted for its investment in associate using the equity method in accordance with IAS 28 *“Investments in Associates and Joint Ventures”*. Investments in associates are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company’s share of the net income or loss and other comprehensive income of equity until the date on which significant influence ceases. If the Company’s share of losses in an equity-method investee equals or exceeds its interest in the entity, including any other unsecured long-term receivables, no further losses are recognized, unless it has incurred obligations or made additional investments in or payments on behalf of the investee.

(g) Inventory

Inventory of harvested work-in-progress and finished goods are valued at the lower of cost or net realizable value. Cost is determined using the average cost method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs to sell. All subsequent direct and indirect postharvest costs are capitalized to inventory at cost, as incurred, including labor related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Biological Assets

The Company's biological assets consist of medical cannabis plants which are not yet harvested. In accordance with *IAS 41 "Agriculture"*, the Company is required to record its biological assets at fair value. During the main growth phase, the cost of each plant is accumulated over the grow period after the plant reaches the vegetative state. For the remainder growing period, in accordance with *IAS 2 "Inventories"*, the cost of each plant is accumulated, including both direct and indirect costs of production. Pre harvest costs are capitalized to biological assets and include all direct and indirect costs including labor related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. At the point of harvest, the biological assets are transferred to inventory at their fair value less costs to sell. Unrealized and realized gains or losses arising from changes in fair value less cost to sell during the year are included in the consolidated statements of operations.

(i) Assets Held for Sale

Assets and liabilities held for sale are no longer depreciated and are presented separately in the consolidated statements of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

(j) Business Combinations

Acquisition of subsidiaries and business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of operations immediately as a gain or loss on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with *IFRS 9 "Financial Instruments"*, or *IAS 37 "Contingent Liabilities and Contingent Assets"*, as appropriate, with the corresponding gain or loss being recognized in the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(k) Property and Equipment, net**

Property and equipment are stated at cost (including capitalized borrowing costs), net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

Land	Not depreciated
Furniture and fixtures	7 Years
Computer equipment	3-7 Years
Manufacturing equipment	7 Years
Leasehold improvements	5-20 Years
Buildings	20 Years
Vehicles	10 Years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of operations in the year the asset is derecognized.

(l) Right of Use Assets and Lease Obligations

The right-of-use asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, along with any lease payments made to the lessor before the lease commencement date, in addition to any initial direct costs incurred, excluding any lease incentives received.

Lease obligations are calculated as present value of the lease payments at the lease commencement date that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

After the commencement date, the Company recognizes depreciation and impairment of the right-of-use asset and the interest on the lease liability in the consolidated statement of operations. Right of use assets depreciation is calculated based on estimated useful life range from 5 to 12 years.

(m) Non-controlling Interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(n) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statements of operations as incurred.

Cannabis licenses and intellectual property acquired in a business combination are recognized initially at fair value at the acquisition date and have an indefinite useful life. The cannabis license in Florida has an indefinite useful life. Cannabis license fees in Texas are capitalized and amortized on a straight-line basis over the term of the license. Trademarks and brands and non-compete agreements acquired in a business combination are recognized initially at fair value at the acquisition date and amortized on a straight-line basis, using the following amortization terms:

Asset type	Amortization term
Trademarks and brands	5 years
Non-compete agreements	5 years
Licenses Fees (Texas)	2 years

The estimated useful life and amortization method are reviewed at the end of each reporting year with the effect of any changes in estimate being accounted for on a prospective basis.

(o) Goodwill

Goodwill represents the excess of the purchase price paid for business combination acquisitions over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(p) Impairment of Non-Financial Assets

Goodwill and intangible assets that have indefinite useful lives are not subject to amortization and, in accordance with the Company's policy, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Derivative Liabilities

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are re-measured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Black-Scholes model or the Monte-Carlo simulation model. Critical estimates and assumptions used in the model are discussed in Note 13.

(r) Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production. This results in permanent differences between ordinary and necessary business expenses deemed unallowable under IRC Section 280E.

During the period from January 1, 2019 to March 22, 2019, date of acquisition of the shares of Cansortium Holdings, LLC and the Company's initial public offering and listing on the CSE (see Note 1), certain of the Company's subsidiaries were subject to income taxes, however there were no material current or deferred taxes associated with such entities for these periods as the Company was a limited liability company treated as a partnership for federal income tax purposes until March 22, 2019. Under federal law, the taxable income or loss of a limited liability company is allocated to its members.

Current Tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue

The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis to customers for a fixed price is recognized when the Company transfers control of the goods to the customer at the point of sale and the customer has paid for the goods. The Company has a loyalty rewards program that allows customers to earn reward credits to be used on future purchases. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. The loyalty rewards are shown as reductions to 'revenue, net of discounts' line on the accompanying consolidated statements of operations.

(t) Shared-Based Compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. The impact of the revision of the original estimate is recognized in the consolidated statements of operations. For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

(u) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received.

(v) Basic and Diluted Net Loss per Share

Basic (loss) earnings per share ("EPS") is calculated by dividing the net (loss) income attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted EPS is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted (loss) earnings per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. When a loss is incurred during a period, basic and diluted loss per share are the same because the exercise of share equivalents is then considered to be "anti-dilutive".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred, using the effective interest method. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets for periods preceding the dates the assets are available for their intended use.

(x) Financial Instruments *(See also Note 20)*

Recognition and Initial Measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured FVTPL are expensed in the consolidated statement of operations when incurred.

Classification and Subsequent Measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in the consolidated statements of operations when incurred.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Financial Instruments *(See also Note 20)*

Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business Model Assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual Cash Flow Assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest based on their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For the years ended December 31, 2020, and 2019, the Company had no credit-impaired financial assets.

Financial assets are impaired when the Company has no reasonable expectations of recovering all or any portion thereof.

A financial asset not carried at FVTPL is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Financial Instruments *(Continued, see also Note 20)*

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or, in the case of amounts receivable, are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive.

Financial Liabilities

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and Subsequent Measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains, and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled, or expired.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Financial Instruments *(Continued, see also Note 20)*

The Company's financial assets and liabilities are classified as outlined below:

	<u>Classification</u>
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Note receivable	Amortized cost
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost
Derivative liabilities	FVTPL
Notes payable	Amortized cost
Lease obligations	Amortized cost
Other current liabilities	Amortized cost
Other long-term liabilities	Amortized cost

(y) Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical judgments estimate and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

(i) Biological Assets and Inventory

In calculating the value of biological assets and inventory, management is required to make several estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, average or expected selling prices and expected yields for the plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. Further information on estimates used in determining the fair value of biological assets is included in Note 4.

(ii) Estimated Useful Lives and Depreciation of Property and Equipment, and Intangibles Assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives based on management's judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts considering factors such as economic and market conditions and the useful lives of assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Critical Accounting Judgments, Estimates and Assumptions *(Continued)*

(ii) Estimated Useful Lives and Depreciation of Property and Equipment, and Intangibles Assets (Continued)

Goodwill and indefinite life intangible asset impairment testing require management to make estimates in the impairment testing model. Annually, the Company tests whether goodwill and indefinite life intangible assets are impaired. Impairment of definite long-lived assets is influenced by judgment in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of goodwill, indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

(iii) Customers Loyalty Program

In calculating the customers loyalty points liability, the Company used estimated historical and industry forfeiture rates. The key assumptions used for the forfeiture rate is based on 2 years lookback of the Company's customers behavior and comparison to Florida as well as the national rates.

(iv) Derivative Liabilities

In calculating the fair value of its derivative liabilities, the Company uses either the Black-Scholes option-pricing model or the Monte-Carlo simulation model, for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the models are similar and include the expected future volatility in the price of the Company's shares, the fair market value of the price of the Company's shares and the expected life of the underlying instrument.

(v) Leases

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Critical Accounting Judgments, Estimates and Assumptions *(Continued)*

(vi) Impairment of Non-Financial Assets

Property, plant and equipment, inventory, investments in associate and definite life intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell or its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss for the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded if no impairment loss been recognized previously.

(vii) Business Combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition and in determining date of acquisition. In determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognized in profit or loss.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured based on the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any noncontrolling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(viii) COVID-19 outbreak

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. As a result, the Governments of Canada and the U.S. have instituted various recommendation and laws to help limit its spread. This has resulted in, among other things, supply chain issues, a decrease in availability of production materials, transportation delays, personnel shortages, changes in customer demand for the Company's products, increased government regulations or interventions, and ongoing economic uncertainty, all of which has impacted the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 pandemic is unknown at this time. The Company continues to monitor COVID-19 developments and its production facilities have continued operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Critical Accounting Judgments, Estimates and Assumptions (Continued)

(vii) Convertible debentures debt component

In calculating the fair value of its convertible debentures debt component, the Company uses either the Black-Scholes option-pricing model or the Monte-Carlo simulation model, for Level 3 recurring fair value measurements to estimate fair value at each reporting date. The key assumptions used in the models are similar and include the expected future volatility in the price of the Company's shares, the fair market value of the price of the Company's shares and the expected life of the underlying instrument. The discount rates used in the model are based on past experience and the weighted average cost of capital of debt.

(viii) Expected credit loss on note receivable

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

(y) New, amended and future IFRS pronouncements

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

Amendment to IFRS 3: Definition of a Business

In October 2018, the IASB issued the IFRS 3 Amendment. The IFRS 3 Amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IFRS 3 Amendment provides an assessment framework to determine when a series of integrated activities is not a business. The IFRS 3 Amendment is effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, however early application is permitted. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements & IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In October 2018, the IASB issued "Definition of Material", an amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of materiality and to align the definition used in the Conceptual Framework and the standards themselves. The amendment clarifies that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” This amendment is effective for the annual period beginning January 1, 2020. The adoption of the IAS 1 & IAS 8 did not have a material impact on the consolidated financial statements.

The following is a brief summary of the new standards issued but not yet effective:

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (“Amendments to IAS 1”). The Amendments to IAS 1 aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of the adoption of this amendment has not yet been determined.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The extent of the impact of the adoption of this amendment has not yet been determined.

3. INVENTORY

As of December 31, 2020, and 2019, inventories consisted of the following:

	December 31,		December 31,	
	2020		2019	
Supplies, packaging and materials	\$	711	\$	702
Work in progress		3,562		3,929
Finished goods		2,471		2,078
Inventory reserve		(1,738)		-
Balance at end of year	\$	5,006	\$	6,709

Inventory material costs included in cost of goods sold during the year ended December 31, 2020 and 2019 were \$7,667 and \$1,968, respectively. Salaries and benefits charged to cost of goods sold for the years ended December 31, 2020 and 2019 were \$4,761 and \$3,561, respectively.

During the year ended December 31, 2020, the Company recorded an allowance of \$1,738 to reflect net realizable value adjustments related to its Texas inventory. As of December 31, 2020 and December 31, 2019 inventory reserve was \$1,738 and \$0, respectively.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***4. BIOLOGICAL ASSETS**

The Company's biological assets consist of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 3,845	\$ 2,549
Cost incurred until harvest	6,856	5,791
Biological assets reserve	(180)	-
Effect of unrealized change in fair value of biological assets	17,516	9,735
Transferred to inventory upon harvest	(26,123)	(14,230)
Balance at end of year	\$ 1,914	\$ 3,845

As of December 31, 2020, all biological assets were live plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 in the IFRS 13 fair values hierarchy as there is no actively traded commodity market for plants or dried product. The significant unobservable inputs used to assess the fair value of biological assets during the years ended December 31, 2020 and 2019 used the following assumptions:

- (a) Expected yields of the average grams of dried flower and trim per plant of 13 grams and 21 grams, respectively.
- (b) Weighted average number of growing weeks completed as percentage of total growing weeks at the period end of 50% and 44%, respectively.
- (c) Expected weighted average selling price in the retail market of \$10.81 per gram and \$12.86 per gram, respectively.
- (d) Estimated weighted average costs to complete, sell, and estimated margin from post harvest activities of \$6.29 per gram and \$7.16 per gram, respectively.
- (e) Expected loss of plants until harvest of 25% and 27%, respectively.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets which will affect the amount reflected in the gain or loss on biological assets in future periods.

The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

4. BIOLOGICAL ASSETS (Continued)

The Company has quantified the sensitivity of the unobservable inputs in relation to the biological assets for the years ended December 31, 2020 and 2019 and determined the following:

- (a) A 10% increase or decrease on the expected yield of dry flower and trim per plant would increase or decrease the fair value of biological assets by \$191 and \$382, respectively.
- (b) A 10% increase or decrease on the weighted average of growing weeks completed as a percentage of total estimated growing weeks would increase or decrease the fair value of biological assets by \$191 and \$382, respectively.
- (c) A 10% increase or decrease in the expected selling price per gram of dried flower or trim would increase or decrease the fair value of biological assets by \$94 and \$862, respectively.
- (d) A 10% increase or decrease in the expected costs to complete and sell per gram would increase or decrease the fair value of biological assets by \$77 and \$480, respectively.
- (e) A 10% increase or decrease on the expected loss of plants until harvest would increase or decrease the fair value of biological assets by \$33 and \$136, respectively.

The Company estimates the harvest yields for cannabis at various stages of growth. As of December 31, 2020, it is expected that the Company's biological assets will yield approximately 846,531 grams of dry cannabis when harvested.

As of December 31, 2020 and 2019, the Company had 85,268 and 98,094 plants that were classified as biological assets, respectively.

During the year ended December 31, 2020, the Company recorded an allowance of \$180 to reflect net realizable value adjustments related to its Texas biological assets. As of December 31, 2020 and December 31, 2019 inventory reserve was \$180 and \$0, respectively.

5. NOTE RECEIVABLE

In connection with the Company's agreement entered in October 2018 with Green Standard Holdings LLC, Green Standard Cultivation LLC and Green Standard, Inc. (collectively, "Green Standard") to acquire the assets of Green Standard (see Notes 10 and 16), the Company entered into a line of credit note with Green Standard, Inc. ("Green Standard Note"), pursuant to which the Company agreed to make advances to Green Standard in connection with the Michigan cultivation and operational expenses in an aggregate principal amount not to exceed at any one time outstanding balance of \$14,700.

The Green Standard Note bears interest of 2.7% per annum and Green Standard shall pay the entire principal amount and all accrued interest to the Company not later than the earlier of 3 years from the Green Standard Note issuance date or earlier, based on certain triggering events.

On May 19, 2020, the Company amended the terms of the Green Standard note to reduce the principal amount available not to exceed at any one time outstanding balances of \$7,500 and to increase the interest rate to 5% per annum.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***5. NOTE RECEIVABLE (Continued)**

A reconciliation of the beginning and ending balances of note receivable for years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 3,870	\$ -
Advances	1,647	3,870
Payments	(372)	-
Reserve for expected credit losses	(1,286)	-
Balance at end of year	\$ 3,859	\$ 3,870

The expected loss rate is based on the likelihood of the completion of the acquisition of GSI, the recovery of the note receivable amount against the expected GSI net profit, and any historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability to settle the note receivable. The note receivable was considered to have low credit risk, and the loss allowance recognized during the year was therefore limited to 12 months' expected losses. Management considered an equivalent CCC rating for the note receivable.

During the years ended December 31, 2020 and December 31, 2019, the Company recorded expected credit loss adjustment of \$1,286 and \$0, respectively, related to the Note Receivable. Interest income for the years ended December 31, 2020 and December 31, 2019, was \$188 and \$54, respectively.

As of December 31, 2020 and 2019, accrued interest of note receivable was \$242 and \$54, respectively and was recorded in prepaid expenses and other current assets (See Note 6).

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	December 31, 2020	December 31, 2019
Prepaid insurance	\$ 477	\$ 186
Prepaid rent	43	102
Other prepaid expenses	579	53
Security deposits held	23	161
Interest receivable - Green Standard (Note 5)	242	54
Other current assets	1	-
Balance at end of year	\$ 1,365	\$ 556

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***7. INVESTMENTS AND ASSETS HELD FOR SALE**

During the year ended December 31, 2019, the Company discontinued its operations from Consortium Colombia S.A.S (“Consortium Colombia”) and Consortium Puerto Rico LLC (“Consortium Puerto Rico”), as well as those for 1931074 Ontario, Inc, Consortium Canada Servicing Inc., Consortium Property Holdings Inc., and Arcadia EcoEnergies, Ltd. (collectively, the “Canadian Subsidiaries”). These operations are classified as held for sale, measured at the lower of carrying amount and fair value less costs to sell.

Assets held for sale were \$0 and 3,061 as of December 31, 2020 and December 31, 2019, respectively:

	December 31, 2019			
	Consortium Colombia	Consortium Puerto Rico	Canadian Subsidiaries	Total
Cash and cash equivalents	\$ 1	\$ -	\$ 5	\$ 6
Accounts receivable	-	-	83	83
Inventory	-	-	154	154
Other current assets	95	114	284	493
Property and equipment, net	526	665	1,362	2,553
Intangible assets	1,563	-	-	1,563
Right of use assets	-	1,422	-	1,422
Other non-current assets	-	5	22	27
	2,185	2,206	1,910	6,301
Accounts payable	(148)	-	(467)	(615)
Accrued liabilities	(227)	(150)	(424)	(801)
Lease obligations	-	(1,688)	-	(1,688)
Other current liabilities	-	-	(121)	(121)
Other non-current liabilities	-	-	(15)	(15)
	(375)	(1,838)	(1,027)	(3,240)
Assets held for sale, net	\$ 1,810	\$ 368	\$ 883	\$ 3,061

During the years ended December 31, 2020 and 2019, the Company recorded a gain of \$115 and a loss of \$12,415 on discontinued operations, respectively. In the years ended December 31, 2020 and 2019, results for discontinued operations were as follows:

December 31, 2020	Consortium Colombia	Consortium Puerto Rico	Canadian Subsidiaries	Total
Revenue, net of discounts	\$ -	\$ 419	\$ -	\$ 419
Cost of goods sold	-	254	-	254
Gross profit	-	165	-	165
Expenses	-	410	214	624
Income from operations	-	(245)	(214)	(459)
Proceeds from sales of assets	1,856	600	-	2,456
Net assets sold	(905)	(272)	-	(1,177)
Gain on Sale of Assets	951	328	-	1,279
Fair value adjustment of investment	(705)	-	-	(705)
Loss from discontinued operations	\$ 246	\$ 84	\$ (214)	\$ 115

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***7. INVESTMENTS AND ASSETS HELD FOR SALE (Continued)**

December 31, 2019	Cansortium Colombia	Cansortium Puerto Rico	Canadian Subsidiaries	Total
Revenue, net of discounts	\$ -	\$ 21	\$ -	\$ 21
Cost of goods sold	-	(8)	-	(8)
Gross profit	-	29	-	29
Expenses	-	111	109	220
Income from operations	-	(82)	(109)	(191)
Property and equipment impairment	1,150	-	2,345	3,495
Goodwill and intangibles impairment	7,743	-	986	8,729
Loss from discontinued operations	\$ (8,893)	\$ (82)	\$ (3,440)	\$ (12,415)

Cansortium Colombia S.A.S

As of December 31, 2019, the Company classified the net assets of Consortium Colombia of \$1,810 as held for sale in the consolidated statements of financial position. In connection with this change, the Company recorded a goodwill and intangible asset impairment charge of \$7,743 (see Notes 9 and 11) and an asset impairment charge of \$1,150 in the consolidated statements of operations.

On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Cansortium Inc. previously issued to acquire 100% of Consortium Colombia (see Note 16), thereby reducing its ownership of Consortium Colombia to 50%. In connection with this change, the Company recorded a gain of \$246 in the sale of the assets held for sale for the year ended December 31, 2020, and classified its non-controlling investment in Consortium Colombia as investment held for sale on the Company's condensed interim consolidated financial statements in the amount of \$200 as of December 31, 2020:

Balance as of December 31, 2019 - Asset held for sale	\$ 1,810
Net assets sold (50%)	(905)
Loss in fair value of assets	(705)
Balance as of December 31, 2020 - Investment	\$ 200

Cansortium Puerto Rico LLC

On December 12, 2019, the Company entered into a non-binding agreement with PRICH Biotech Corp. ("PRICH") to sell certain assets of Consortium Puerto Rico and classified the net assets of Consortium Puerto Rico of \$368 as held for sale in the consolidated statements of financial position. The sale of the Puerto Rican assets closed on April 28, 2020, resulting in a gain of \$328.

Cansortium Puerto Rico recorded as loss from discontinued operations of \$245 and \$82 in the years ended December 31, 2020 and 2019, respectively.

Canadian Subsidiaries

During November and December of 2019, the Company entered into non-binding agreements to sell the Company's Canadian net assets in the Canadian subsidiaries and classified these net assets of \$883 as held for sale in the consolidated statements of financial position, resulting from the following transactions:

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

7. INVESTMENTS AND ASSETS HELD FOR SALE (Continued)

Canadian Subsidiaries (Continued)

On November 14, 2019, the Company entered into a share purchase agreement to sell 100% of the shares of 1931074 Ontario Inc. for a purchase price of CAD \$250,000 with the shareholder of 1931074 Ontario Inc. Consideration included return of 500,000 shares of the Company. 1931074 Ontario Inc. owns 100% of Cansortium Canada Servicing Inc.

On December 3, 2019, the Company entered into a share purchase agreement with 2638116 Ontario Inc. to sell 100% of the shares of Cansortium Property Holdings Inc. for a purchase price of \$1 and repayment of \$750 of debts and obligations owed by 2638116 Ontario Inc. to Cansortium Property Holdings Inc. satisfied by return of 1,500,000 shares of the Company.

On December 3, 2019, Cansortium Canada Holdings entered into a share purchase agreement with 2638116 Ontario Inc. to sell 5,196 Class A common shares of Arcadia EcoEnergies, Ltd. (representing approximately 52% of the issues and outstanding shares of Arcadia EcoEnergies, Ltd.) for a purchase price of CAD \$1.

On May 29, 2020, the Company completed the sale of its Canadian Subsidiaries. As part of the consideration for the sale of its Canadian Subsidiaries, a total of number of shares was reduced from 2,000,000 to 1,500,000 common shares and returned by 2638116 Ontario Inc. to the Company for cancellation. The net gain on the transaction was \$197, recorded in accumulated deficit (See Note 16 f.).

In connection with the above transactions, the Company recorded a goodwill and intangible asset impairment charge of \$986 (see Notes 9 and 11) and an asset impairment charge of \$2,345 in the consolidated statements of operations.

The Canadian Subsidiaries net loss of \$214 and \$109 from the date of the sale agreements to December 31, 2020 and for the year ended December 31, 2019 were recorded under discontinued operations in the consolidated statements of operations, respectively.

Cansortium Inc.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Amounts expressed in thousands of United States Dollars unless otherwise stated)
8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment for years ended December 31, 2020 and 2019 is as follows:

	Land	Furniture and fixtures	Computer equipment	Manufacturing equipment	Leasehold improvements	Buildings	Construction in progress	Vehicles	Total
Cost									
Balance as of January 1, 2019	\$ 764	\$ 475	\$ 464	\$ 4,560	\$ 8,389	\$ 3,224	\$ 1,585	\$ 492	\$ 19,953
Additions	-	391	331	2,154	4,356	56	6,556	-	13,844
Construction completed	-	-	-	-	4,170	-	(4,170)	-	-
Assets held for sale (Note 7)	(53)	(219)	(151)	(1,969)	(2,380)	(2,896)	(320)	(61)	(8,049)
Disposals	(500)	-	(15)	(18)	(1,024)	(300)	(1,475)	-	(3,332)
Balance as of December 31, 2019	211	647	629	4,727	13,511	84	2,176	431	22,416
Accumulated depreciation									
Balance as of January 1, 2019	-	68	106	417	750	16	-	23	1,380
Additions	-	99	236	832	2,296	35	-	52	3,550
Assets held for sale (Note 7)	-	(61)	(54)	(552)	(586)	(55)	-	(6)	(1,314)
Disposals	-	-	(4)	(4)	(320)	-	-	-	(328)
Balance as of December 31, 2019	-	106	284	693	2,140	(4)	-	69	3,288
Property and equipment, net	\$ 211	\$ 541	\$ 345	\$ 4,034	\$ 11,371	\$ 88	\$ 2,176	\$ 362	\$ 19,128
Cost									
Balance as of January 1, 2020	211	647	629	4,727	13,511	84	2,176	431	\$ 22,416
Additions	-	92	78	467	-	-	4,649	93	5,379
Construction completed	-	177	8	538	3,834	-	(4,556)	-	-
Disposals	-	(77)	(1)	(106)	(1,808)	-	(142)	(101)	(2,236)
Balance as of December 31, 2020	211	838	714	5,626	15,537	84	2,127	423	25,559
Accumulated depreciation									
Balance as of January 1, 2020	-	106	284	693	2,140	(4)	-	69	3,288
Additions	-	111	196	732	2,898	-	-	53	3,989
Disposals	-	(12)	(1)	(29)	(1,160)	-	-	(33)	(1,235)
Balance as of December 31, 2020	-	205	479	1,396	3,877	(4)	-	89	6,042
Property and equipment, net	\$ 211	\$ 633	\$ 235	\$ 4,229	\$ 11,660	\$ 88	\$ 2,127	\$ 334	\$ 19,517

For the years ended December 31, 2020 and 2019, the Company charged \$2,103 and \$907 of depreciation to the biological assets and inventory. Capitalized borrowing costs were \$187 and \$0 for the same years, respectively.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

9. INTANGIBLE ASSETS

Intangible assets consist of cannabis licenses, acquired intellectual property at 1931074 Ontario, Inc, customer relationships, non-compete agreements and trademarks and brands. A reconciliation of the beginning and ending balances of intangible assets for the years ended December 31, 2020 and 2019, is as follows:

	Licenses	Intellectual property	Customer relationships	Non-compete agreements	Trademarks and brands	Total
Balance as of January 1, 2019						
Cost	\$ 97,757	\$ 596	\$ 40	\$ 30	\$ 8,850	\$ 107,273
Additions	319	-	-	-	-	319
Assets held for sale (Note 7)	(1,563)	-	-	-	-	(1,563)
Disposals	(2,345)	(596)	(40)	(30)	-	(3,011)
Balance as of December 31, 2019	94,169	-	-	-	8,850	103,019
Balance as of January 1, 2019						
Accumulated amortization	352	-	2	2	1,261	1,617
Additions	216	-	2	6	2,623	2,847
Disposals	-	-	(4)	(8)	-	(12)
Balance as of December 31, 2019	568	-	-	-	3,884	4,452
Intangible assets, net	\$ 93,600	\$ -	\$ -	\$ -	\$ 4,966	\$ 98,566
Balance as of January 1, 2020						
Cost	\$ 94,169	\$ -	\$ -	\$ -	\$ 8,850	\$ 103,019
Balance as of December 31, 2020	94,169	-	-	-	8,850	103,019
Balance as of January 1, 2020						
Accumulated amortization	568	-	-	-	3,884	4,452
Additions	168	-	-	-	1,364	1,532
Balance as of December 31, 2020	736	-	-	-	5,248	5,984
Intangible assets, net	\$ 93,433	\$ -	\$ -	\$ -	\$ 3,602	\$ 97,035

During the year ended December 31, 2019, the Company adjusted the Fluent Servicing acquisition purchase price allocation and restated the fair value of the licenses, customer relationships and trademarks and brands intangible assets from \$79,870 to 93,256, \$3,030 to \$0 and \$15,550 to \$8,850.

During the year ended December 31, 2019, the Company recognized impairment charges of \$1,900, \$569 and \$288 for Cansortium Colombia licenses, 1931074 Ontario, Inc. intellectual property and Arcadia EcoEnergies, Ltd. licenses, customer relationships and non-compete agreements, respectively (See Notes 1, 7 and 11).

Amortization expense for the years ended December 31, 2020 and 2019 were \$1,532 and \$2,847, respectively.

Refer to Note 11 for impairment testing assumptions related to indefinite life assets.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***10. INVESTMENT**

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 3,424	\$ -
Additions	\$ -	3,777
Return of shares	\$ (1,180)	-
Cancellation of derivative liability	\$ (2,091)	-
Company's share of loss	\$ (153)	(353)
Balance at end of year	\$ -	\$ 3,424

Green Standard

On October 8, 2018, Cansortium Holdings LLC, entered into an agreement with Green Standard Holdings, LLC and Green Standard, Inc., collectively ("Green Standard" or "GSI") to acquire the cultivation, production and retail licenses applied for by Green Standard Cultivation LLC, Green Standard Processing LLC and Green Standard Retail LLC, for a purchase price of \$7,500 payable through the issuance of 2,727,273 shares of Cansortium Holdings LLC at a price equal to \$2.75 dollars per shares (see Notes 13(a) and 16), subject to forfeiture as follows: (a) 1,000,000 shares would be forfeited if regulatory approval of the twelve Class C licenses is not received prior to December 31, 2019; (b) 727,273 units would be forfeited if \$1,000 of retail sales are not achieved in Michigan by the Company or its affiliates on or before January 1, 2021; and (c) the remaining 1,000,000 units would be forfeited if \$2,000 of retail sales are not achieved in Michigan by the Company and/or its affiliates on or prior to January 1, 2022; provided, however, that with respect to (b) and (c), if the Company and/or its affiliates fails to open one dispensary in Michigan prior to January 1, 2020, the sales threshold requirements would be based on wholesale sales in Michigan by the Company and/or its affiliates to third-party retail locations.

On May 19, 2020, the Company amended and restated the abovementioned agreement pursuant to which Cansortium Michigan, LLC, the Company's indirect wholly-owned subsidiary, intends to acquire 100% of the outstanding shares of Green Standard. Under the amended terms, Green Standard shareholders will receive \$10 million in aggregate consideration to consist of common shares and proportionate voting shares exchangeable into an aggregate of 2,727,723 common shares of the Company, which are escrowed until May 15, 2021, plus cash consideration for the difference between the fair value of a common share on May 15, 2021 and total purchase price of \$10,000,000 to be generated by profits from Green Standard's Michigan business. The same number of shares of the Company that were previously issued to Green Standard shareholders and subject to vesting conditions have been returned to treasury for cancellation and removal of the equity price guarantee that existed as through May 19, 2020.

During the year ended December 31, 2020, a loss of investment of \$153 was recognized for the Company's share of loss in Green Standard.

During the year ended December 31, 2019, the Company recognized an investment of \$3,777 associated with the vesting of the Company's shares issued to Green Standard and a loss of investment of \$353 for the Company's share of loss for the period from August 24, 2019, date the cultivation licenses were granted to Green Standard, to December 31, 2019.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***11. GOODWILL**

Below is a continuity of goodwill for the years ended December 31, 2020 and 2019:

	Fluent Servicing	Cansortium Colombia	Arcadia EcoEnergies	Total
Balance as of January 1, 2019	\$ 1,526	\$ 5,843	\$ 129	\$ 7,498
Goodwill impairment	-	(5,843)	(129)	(5,972)
Balance as of December 31, 2019	\$ 1,526	\$ -	\$ -	\$ 1,526
Balance as of January 1, 2020	\$ 1,526	\$ -	\$ -	\$ 1,526
Balance as of December 31, 2020	\$ 1,526	\$ -	\$ -	\$ 1,526

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill and indefinite life intangibles are located and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on fair value less costs of disposal using level 3 inputs in a discounted cash flow model. The fair value less costs of disposal was determined to be greater than the CGUs value in use. The key assumptions used in the estimates of the recoverable amounts are described below:

- Cash flows were projected based on the Company's long-term business plan. The business plan contains forecasts based on actual operating results in conjunction with anticipated future growth opportunities, as well as industry and market trends. The forecasts were extended to a total of five years (with a terminal year thereafter). Revenue annual growth rate of 25% was based on new stores opening over the next few years and then 5% afterwards.
- The terminal growth rate of 2% was based on historical and projected industry data (2019 – 2%).
- The post-tax discount rate applied in determining the recoverable amount of the CGU group was 28%. The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU, other competitors in the industry and adjusted for risks in the cash flow.

As of December 31, 2020 and 2019, the Company did not have an impairment to its goodwill and indefinite life intangibles.

12. INCOME TAXES

Income tax for the years ended December 31, 2020 and 2019 consisted of the following:

	Year ended December 31, 2020	Year ended December 31, 2019
Provision for income taxes:		
Current Tax Expense	\$ 9,028	\$ 1,492
Deferred Tax Expense (Recovery)	(2,692)	2,672
Total current income taxes	\$ 6,336	\$ 4,164

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***12. INCOME TAXES (Continued)**

The income tax expense for the year can be reconciled to the accounting income (loss) as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Tax at U.S. statutory rate of 21%	\$ (6,359)	\$ (12,911)
State taxes, net of federal impact	901	557
Pass-through income taxed directly to shareholders	-	3,087
Non-deductible items	10,816	9,937
Foreign tax rate differential	(250)	(204)
Change in tax benefits not recognized	1,228	3,698
Total	\$ 6,336	\$ 4,164

Cansortium Inc. intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax. However, for Canadian tax purposes, Cansortium Inc. is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, Cansortium Inc. will be subject to taxation both in Canada and the United States.

As a result of the acquisition of the shares of Cansortium Holdings, LLC on March 22, 2019 the Company now accounts for income taxes in accordance with IAS 12 - Income Taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases. As a result of the transaction, the Company recorded a deferred tax liability of \$22,285 with a corresponding adjustment to equity during the year ended December 31, 2019.

All income prior to this acquisition was taxed directly to the shareholders as the Cansortium Holdings, LLC was taxed as a pass-through entity. Accordingly, no income tax assets or liabilities were recognized for the period from January 1, 2019 to March 22, 2019.

The Company has unused tax losses and other attributes of \$7,673 and \$13,854 in various foreign jurisdictions for the years ended December 31, 2020 and 2019, respectively, and \$12,643 of capital loss carryforwards in the United States. No deferred tax asset has been recognized as the utilization of these losses and other tax attributes is not likely in the future.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

12. INCOME TAXES (Continued)

The tax effects of the temporary differences giving rise to the deferred tax liability are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Deferred income tax liabilities:		
Property and equipment	\$ 3,122	\$ 3,705
Intangible assets	18,479	18,258
Convertible debentures	1,666	2,336
Biological assets	204	658
Total deferred income tax liabilities	\$ 23,471	\$ 24,957

Movement in net deferred tax liabilities:

	Year ended December 31, 2020	Year ended December 31, 2019
Movement in net deferred tax liabilities:		
Balance at the beginning of the year	\$ 24,957	\$ -
Recognized in profit/loss	(2,692)	2,671
Recognized in equity	1,206	22,285
Ending balance in deferred income tax liabilities	\$ 23,471	\$ 24,956

13. DERIVATIVE LIABILITIES

A reconciliation of the beginning and ending balances of the derivative liabilities from the time of issuance and during the years ended December 31, 2020 and 2019 are as follows:

	Convertible debentures	Warrants	Equity price guarantee	Derivative liability total
Balance as of January 1, 2019	\$ -	\$ 5,926	\$ 4,884	\$ 10,810
Fair value of derivative liabilities on issuance date	5,820	-	2,597	8,417
Fair value change in derivative liability	(119)	(5,926)	5,717	(328)
Convertible debentures reclassified to equity	(5,701)	-	-	(5,701)
Balance as of December 31, 2019	\$ -	\$ -	\$ 13,198	\$ 13,198
Balance as of January 1, 2020	-	-	13,198	13,198
Fair value change from note payable amendment	-	-	(1,442)	(1,442)
Fair value change in derivative liability	-	-	(1,065)	(1,065)
Removal of GSI equity price guarantee	-	-	(3,279)	(3,279)
Balance as of December 31, 2020	\$ -	\$ -	\$ 7,412	\$ 7,412

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***13. DERIVATIVE LIABILITIES (Continued)****(a) Equity Price Guarantees**Fluent Servicing Acquisition

Price Guarantees are recorded as a liability measured at fair value on the consolidated statement of financial position. In determining the fair value of the price guaranty. These liabilities are marked-to-market each quarter with the change in fair value recorded in the consolidated statements of operations.

In connection with the acquisition of the remaining interest of Fluent Servicing on August 15, 2018, the Company issued 4,400,000 membership interest of Cansortium Holdings LLC that were exchanged into 4,400,000 of shares of Cansortium subject to a price floor of \$2.75 ("Equity Price Guarantee"), expiring on March 21, 2021.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing (see Note 14), as well as the terms pertaining to the Equity Price Guarantee, reducing the price floor from \$2.75 to \$0.65 per share for the 4,400,000 common shares originally issued and agreeing to transfer to the seller an additional 14,215,385 common shares (or equivalent proportionate voting shares) that were previously returned by the Company's founders, subject to a price floor of \$0.65 per share.

The new Equity Price Guarantee expires on May 31, 2023. If during that time period, the holder of the Equity Price Guarantee elects to sell some or all of its shares and the purchase price is less than \$0.65 per share, then the Company shall have the first right, subject to applicable legal requirements, to purchase or arrange to purchase all or any portion of the contemplated common shares to be sold for \$0.65 per common share. Alternatively, the Company may elect to pay the holder the difference between \$0.65 and the actual sale price of shares in cash or additional shares at the election of the Company. The Equity Price Guarantee shall be cancelled if the value of the shares of the Company closes at \$4.13 per share for more than twenty consecutive trading days while maintaining a trading volume of at least three million shares each trading day of such period.

The Company used a Monte-Carlo simulation model to estimate fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the Equity Price Guarantee and recorded the fair value of the derivative liability of \$7,412 in the consolidated statement of operations. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

The following range of assumptions were used to value the Equity Price Guarantee derivative liability during the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Volatility	100.00%	100.00%
Risk-free interest rate	0.20%	2.43%
Expected life (years)	2.5 years	1 - 1.2 years
Share price	\$0.76	\$0.44
Exercise price	\$0.65	\$2.75

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***13. DERIVATIVE LIABILITIES (Continued)****(a) Equity Price Guarantees (Continued)**

During the years ended December 31, 2020 and 2019, the Company recorded a gain and loss of \$1,165 and \$5,138, respectively on revaluation of the Equity Price Guarantee derivative liability.

Green Standard

In connection with the agreement to buy the shares of Green Standard performed on October 5, 2018 (see Note 16) and amended on January 1, 2019, the Company issued 2,727,273 of shares of Cansortium Inc. valued at \$2.75 dollars per unit and subject to a price floor of \$2.75 ("GSI Equity Price Guarantee"). The agreement was amended and restated on May 21, 2020 to, among other things, eliminate the GSI Equity Price Guarantee.

As at the maturity date, if the total valuation of the Consortium Inc. shares issued is less than \$10.0 million, the Company shall pay additional consideration in an amount equal to the \$10.0 million minus the Company's share valuation as of the maturity date. If the Company's share valuation as of the maturity date is at least \$10.0 million, there shall be no additional consideration paid. If during that time period, the holder of the GSI Equity Price Guarantee elects to sell, redeem, transfer, or otherwise dispose of twenty percent (20%) or more, of the stock they hold, any rights they hold to receive the additional compensation shall expire.

The Company used a Monte-Carlo simulation model to estimate fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the GSI Equity Price Guarantee and recorded the fair value of the derivative liability of \$2,597 in the consolidated statement of operations at issuance date. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

The following range of assumptions were used to value the GSI Equity Price Guarantee derivative liability during the period ended May 21, 2020, and for the year ended December 31, 2019:

	May 21, 2020	December 31, 2019
Volatility	100.00%	100.00%
Risk-free interest rate	0.17%	1.59%
Expected life (years)	0.61 years	1 year
Share price	\$0.39	\$0.44
Exercise price	\$3.67	\$3.67

During the years ended December 31, 2020 and 2019, the Company recorded a loss of \$100 and \$579 on revaluation of the GSI Equity Price Guarantee derivative liability, respectively.

13. DERIVATIVE LIABILITIES *(Continued)*

(b) Bridge Loan Agreement

On February 8, 2019, the Company completed a brokered private placement financing by issuing convertible notes payable (the "Bridge Loan Agreement") in the amount of \$1,830 bearing interest of 3% per month (see Note 14).

The Bridge Loan Agreement, when repaid on the IPO Closing Date, had a conversion feature that the Lender could exercise for a period of no more than 30 days from the IPO Closing Date to convert the loan amount into common shares of the Company at a price per common share equal to a 25% discount on the IPO closing price, which was exercised on April 22, 2019 (see Note 14).

In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes option-pricing model to estimate fair value of the derivative liability at each reporting date. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the convertible debentures. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

Upon initial recognition, the Company recorded a derivative liability and debt discount of \$1,630 in relation to the derivative liability portion of the Bridge Loan Agreement (see Note 14). The Bridge Loan Agreement was converted into equity during the year ended December 31, 2019.

Pursuant to the above Bridge Loan Agreement, each subscriber was entitled to one-fourth of a share purchase warrants for each \$1 dollars of the Bridge Loan Agreement at the IPO closing price.

(c) Convertible Debentures - \$10M Convertible Note

On February 15, 2019, the Company completed a brokered private placement financing by issuing convertible notes payable (the "\$10M Convertible Note") in the amount of \$10,000 bearing interest of 12% per annum (see Note 14), which contained a conversion feature with variability in the number of common shares issuable on conversion, as the conversion price was based on the IPO closing price. Pursuant to the \$10M Convertible Note, each subscriber was entitled to one-half of a share purchase warrants for each \$1 of the \$10M Convertible Note at a price 30% above the IPO closing price.

In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes option-pricing model to estimate fair value of the derivative liability at each reporting date. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***13. DERIVATIVE LIABILITIES (Continued)****(c) Convertible Debentures - \$10M Convertible Note (continued)**

management to determine the fair value are the expected future volatility in the price of the Company's common shares and the expected life of the convertible notes payable. The Company believes that a 1 % difference in the inputs used for this fair value measurement would not cause a material difference to the fair value amount.

Upon initial recognition, the Company recorded a derivative liability and debt discount of \$5,210 in relation to the derivative liability portion of the \$10M Convertible Note. See Note 14 for further details. During the year ended December 31, 2019, the Company recorded a gain of \$4,951 on revaluation of the \$10M Convertible Note derivative liability. Upon the IPO transaction, this derivative liability was reclassified to equity.

14. NOTES PAYABLE

As of December 31, 2020 and 2019 notes payable consisted of the following:

	December 31, 2020	December 31, 2019
Automobile loan (a)	\$ 81	\$ 106
Notes payable (b)	12,637	9,321
Convertible debentures - \$10M Convertible Note (c)	10,000	6,916
Convertible debentures - \$27M Convertible Note (d)	28,209	24,060
Equipment loan (e)	838	676
Total notes payable	51,765	41,079
Less current portion of notes payable	(38,583)	(9,350)
Notes payable, net of current portion	\$ 13,182	\$ 31,729

(a) Automobile Loan

Notes payable collateralized by vehicles purchased, bearing interest ranging from 4.09% to 5.87% per annum, maturing through December 2025.

(b) Notes Payable

On August 15, 2018, the Company issued a promissory note in the amount of \$11,225 in connection with the acquisition of Fluent Servicing units, bearing interest of 6% per annum to be repaid in monthly installments over a period of one year from January 1, 2019 to December 1, 2019, if such payments do not exceed a cap of 25% of the monthly net profits of Fluent Servicing in the full calendar month prior to the date a monthly payment is due. In the event the payments are not performed in full during the first year, the remaining principal will bear interest of 10% per annum to be repaid in equal payments over a period of up to 12 additional months until all sums are paid in full.

On January 1, 2019, the Company executed an amendment to the August 15, 2018 promissory note adjusting the aggregate principal amount of the new promissory note to \$12,561, including among other amounts, \$261 of accrued interest from August 15, 2018 to December 31, 2018 and bearing interest of 10% per annum for the first year and interest of 12% per annum for the second year to be repaid in four monthly installments of \$1,000 over a period from September 1, 2019 to December 1, 2020 and twelve monthly installments of \$863

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***14. NOTES PAYABLE (Continued)****(b) Notes Payable (Continued)**

over a period from January 1, 2020 to December 1, 2020. Payments of this note payable amounted to \$1,000 during the year ended December 31, 2019.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing units and amended on January 1, 2019 (the "Amended Note") as well as the terms pertaining to the Equity Price Guarantee (see Note 13). The amendment extended the maturity date to December 1, 2022, including any principal payments and deferred cash payment of interest until April 1, 2020. In addition, at the option of the holder of the Amended Note, the Amended Note is convertible into common shares of the Company at any time at a price of \$0.60 per share. Furthermore, the Company amended the terms of the Equity Price Guarantee (see Note 13).

In connection with the January 16, 2020 promissory note restructuring, the Company recorded a loss on debt restructuring of \$8,065 in the consolidated statement of operations during the year ended December 31, 2020, as follows:

	December 31, 2020
Shares issuance (Note 16 b.)	\$ 5,743
Conversion feature	4,637
Accrued interest	(873)
Fair value change in derivative (Note 13)	(1,442)
Debt restructuring loss	\$ 8,065

(c) Convertible Debentures - \$10M Convertible Debenture

On February 15, 2019, the Company issued a \$10M Convertible Note in exchange for cash proceeds of \$10,000.

In connection with the issuance of the \$10M Convertible Note, the Company paid cash of \$600 for debt issuance fees.

On August 15, 2020, the Company extended the maturity date of the 10M Convertible Note to December 31, 2020 and issued 4,361,071 common shares of the Company at a deemed value of \$0.45 per common share in satisfaction of all unpaid interest on the \$10M Convertible Note accrued up to August 15, 2020 in the amount of \$1,962. The Company has also agreed to pay an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10M Convertible Note as at August 15, 2020, satisfied by the Company through the issuance of 265,824 common shares of the Company at \$0.45 per share to the noteholders on a pro-rata basis, recorded as interest expense in the statement of operations (see Note 16h.).

During the years ended December 31, 2020 and December 31, 2019, the Company recorded interest expense of \$1,376 and \$1,049 and accretion expense of \$3,083 and \$2,420, respectively.

(d) Convertible Debentures - \$27M Convertible Debenture

On May 23, 2019, the Company issued secured convertible debentures ("Secured Convertible Debentures") in exchange for gross proceeds of \$27,144, bearing interest of 12% per annum, with quarterly 6% interest payments of remaining accrued interest paid at the maturity date of 24 months from issuance. The holders of the Secured Convertible Debentures may convert the principal amount into shares of the Company at a price

Cansortium Inc.

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14. NOTES PAYABLE (Continued)

(d) Convertible Debentures - \$27M Convertible Debenture (Continued)

of \$2.10 per share. At the subscription of the Secured Convertible Debentures, each investor was also issued 292 common share purchase warrants for each one thousand dollars of the principal amount from \$25,144 of the total gross proceeds, to be utilized for future purchase of shares at an exercise price of \$2.40 per share at any time prior to March 21, 2021.

In connection with the issuance of the Secured Convertible Debentures, the Company paid cash of \$1,172 for debt issuance fees and recorded interest expense of \$981 and accretion expense of \$2,098 for the year ended December 31, 2019. Payments of the Secured Convertible Debentures amounted to \$957 during the year.

At the subscription of the Secured Convertible Debentures, each investor was also issued a warrant "Warrant Shares" to be utilized for the future purchase of shares of the Company. The total number of Subscription Warrants issued were 7,342,048. The holders of the Warrant Shares convert the principal amount into shares of the Company at a price of \$2.40 per share. These Subscription Warrants were issued based on the original amount invested into the Secured Convertible Debentures. The expiry of the Subscription Warrants is 2 years from the issue date of the Secured Convertible Debentures.

The Agent received a cash fee equal to 4% of the gross receipt of the debenture issued in the offering. The Agent received 478,933 shares at an exercise price of \$2.10 any time until the 24th month anniversary of the issuance of the Secured Convertible Debentures. Each broker warrant entitles the holder to acquire one conversion unit at an exercise price of \$2.10 any time until the 24th month anniversary of the issuance of the Secured Convertible Debentures.

(e) Equipment Loan

Notes payable collateralized by equipment purchased, bearing interest ranging of 12% per annum, maturing through July 2024.

(f) Other Notes Payable

In March 2019, the Company settled the outstanding balance of \$1,830, relating to the Bridge Loan that was converted into 1,220,000 shares of the Company's stock (see Note 13). In connection with the issuance of the above Bridge Loan Agreement, the Company paid cash of \$92 during the year ended December 31, 2019. The Bridge Loan Agreement was converted into equity during the year ended December 31, 2019.

On January 15, 2019, the Company entered into a note payable agreement in the amount of \$1,100 in exchange for cash receipts of \$1,000 maturing the earlier of March 25, 2019 or 30 days after the Go Public Transaction. This outstanding note payable balance of \$1,100 was repaid by the Company on February 15, 2019.

The following range of assumptions were used to value the equity components during the period ended December 31, 2019.

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14. NOTES PAYABLE (Continued)
(f) Other Notes Payable (continued)

	2019
Volatility	100.00%
Risk-free interest rate	1.59%
Expected life (years)	2 years
Share price	\$1.60
Exercise price	\$2.10 - \$2.40

A discount rate of 14% was used to value the debt component of the convertible debentures.

A reconciliation of the beginning and ending balances of the Convertible debentures, derivative liability and warrants from the time of issuance and for the years ended December 31, 2020 and 2019 is as follows:

	Convertible debentures (c), (d)	Derivative liability	Equity conversion feature	Warrants	Expense
Balance as of January 1, 2019	\$ -	\$ -	\$ -	\$ 296	\$ -
Fair value of convertible debentures on issuance date	28,458	5,820	-	1,675	-
Fair value of IPO warrants on issuance date	-	-	-	9,892	-
Fair value change in derivative liability	-	(119)	-	-	-
Fair value of equity conversion feature on issuance date	-	-	2,522	-	-
Cash paid for debt issuance fees	(1,800)	-	-	-	-
Accretion expense	5,578	-	-	-	(5,578)
Convertible debentures reclassified to equity	(1,260)	(5,701)	5,091	-	-
Conversion of warrants	-	-	-	(90)	-
Balance as of December 31, 2019	\$ 30,976	\$ -	\$ 7,613	\$ 11,773	\$ (5,578)
Balance as of January 1, 2020	\$ 30,976	\$ -	\$ 7,613	\$ 11,773	\$ -
Fair value of equity conversion feature on issuance date	-	-	3,431	-	-
Issuance of Warrants	-	-	-	137	-
Accretion expense	7,232	-	-	-	(7,232)
Fair value of private placement warrants on issuance date	-	-	-	1,355	-
Balance as of December 31, 2020	\$ 38,208	\$ -	\$ 11,044	\$ 13,265	\$ (7,232)

The fair value of the equity conversion feature is presented in the table above net of deferred taxes in the amount of \$1,206.

A reconciliation of the beginning and ending balances of the notes payable for the years ended December 31, 2020 and 2019, is as follows:

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 41,079	\$ 53,299
Proceeds from issuance of notes payable	65	27,904
Accretion	7,344	5,578
Conversion of notes payable to share capital	-	(1,830)
Reclassification to held for sale	-	(32)
Note amendment - Pre-amendment	3,764	-
Repayments of principal	(487)	(43,840)
Balance at end of year	\$ 51,765	\$ 41,079

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***14. NOTES PAYABLE (Continued)****(f) Other Notes Payable (continued)**

Interest expenses for the years ended December 31, 2020 and December 31, 2019, is as follows:

	December 31, 2020	December 31, 2019
Interest expense, net	\$ 3,900	\$ 6,969
Accretion expense - Notes payable	112	2,170
Accretion expense - Convertible Debentures	7,232	3,408
Right-of-use asset interest expense	2,516	2,264
Total interest expense, net	\$ 13,760	\$ 14,811

15. LEASES

The Company's leasing activities include the lease of cultivation and manufacturing facilities used in the production of cannabis and related products and office premises.

(a) Right-of-use Assets

	December 31, 2020	December 31, 2019
Cost		
Balance at beginning of year	\$ 25,026	\$ 19,164
Additions	2,348	7,845
Modifications	443	-
Disposals	(1,132)	-
Assets held for sale (Note 7)	-	(1,983)
Balance at end of year	26,686	25,026
Accumulated Depreciation		
Balance at beginning of year	\$ 4,836	\$ 2,909
Additions	2,755	2,488
Assets held for sale (Note 7)	-	(561)
Balance at end of year	7,591	4,836
Right-of-use-assets, net	\$ 19,094	\$ 20,190

(b) Lease Liabilities

During the years ended December 31, 2020 and 2019, the Company incurred variable lease payments of \$478 and \$684, respectively.

	December 31, 2020	December 31, 2019
Balance at beginning of year	\$ 22,927	\$ 18,003
Additions	2,348	7,841
Modification	443	-
Disposals	(1,250)	-
Interest on lease liabilities	2,516	2,271
Interest payments on lease obligations	(2,516)	(2,271)
Principal payments on lease obligations	(1,762)	(1,229)
Liabilities held for sale (Note 7)	-	(1,688)
Balance at end of year	\$ 22,705	\$ 22,927
Less current portion of lease obligations	(1,894)	(1,761)
Lease obligations, net of current portion	\$ 20,811	\$ 21,166

16. SHAREHOLDERS' EQUITY

Equity shares transactions

During the year ended December 31, 2020, the following transactions were recorded in shareholders' equity:

- a. On January 16, 2020, the Company recorded the receipt of 14,215,385 common shares returned by the Company's founders at a cost of \$0.77, reducing its share capital by the shares cost of \$10,970 with a corresponding adjustment to accumulated deficit.
- b. On January 16, 2020, concurrently with the above transaction, the Company issued 14,215,385 common shares upon restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing (see Note 14). The fair market value of the shares issued and equity conversion featured recorded in connection with this transaction were \$5,753 and \$4,637, respectively.
- c. On January 22, 2020, the Company took back 4,124,166 common shares previously issued to its partner, Vision Science and Technology, S.A.S representing 50% of the equity of Cansortium Colombia. As a result of the transaction, the Company recorded the related shares cost of \$3,071 as a reduction of capital and recognized the difference of \$1,056 between cost of investment and fair value of the units received to accumulated deficit. The shares have been returned to treasury and the Company, through its subsidiaries, is the 50% owner of Cansortium Colombia.
- d. On February 7, 2020, the Company completed a non-brokered private placement offering of 10,189,758 equity units (each, a "Unit") at \$0.45 per Unit. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant which entitles holders to acquire one Share (a "Warrant Share") at an exercise price of \$0.45 per Warrant Share. The Company allocated the net cash proceeds fair value of \$2,996 and \$1,355 to capital and warrants, respectively.
- e. On May 5, 2020, the Company signed a Consulting Agreement with Zola Global Investors ("Zola") pursuant to which Zola received 1,000,000 shares and 3,000,000 stock options with a three-year expiration date and exercise price of \$0.255 per share.
- f. On May 29, 2020, the Company completed the sale of its Canadian Subsidiaries. As part of the consideration for the sale of its Canadian Subsidiaries, a total of 1,500,000 common shares were returned by 2638116 Ontario Inc. to the Company for cancellation. In connection with obtaining consent from the debenture holders to the Company's sale of its Canadian Subsidiaries, the Company issued 1,492,854 common shares to the debenture holders at a deemed price of \$0.385 per share to the debenture holders of the Secured Convertible Debenture issued on May 23, 2019. The issuance of shares issued in connection with this transaction was recorded as increase of \$575 to share capital and expensed in the statement of operations.
- g. On August 11, 2020, the Company settled its dispute with Woodmere Health Partners LLC ("Woodmere"), the Company's former partner in Pennsylvania in its pursuit of a clinical registrant. Pursuant to the terms of the settlement, Woodmere returned the equivalent of 4,836,364 restricted common shares to the Company for cancellation and released the Company from any further obligations, in exchange for the issuance of 1,250,000 common shares and 750,000 common share purchase warrants with a term of three years and an exercise price of \$0.53.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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16. SHAREHOLDERS' EQUITY (Continued)

h. On August 15, 2020, the Company extended the maturity date of the \$10 million Convertible Note to December 31, 2020 and issued 4,361,071 common shares of the Company at a deemed value of \$0.34 per common share in satisfaction of all unpaid interest on the \$10 million Convertible Note accrued up to August 15, 2020 in the amount of \$1,962. The Company also paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10 million Convertible Note as at August 15, 2020, satisfied by the Company through the issuance of 265,824 common shares of the Company at \$0.34 per share to the noteholders on a pro-rata basis resulting increase to share capital of \$1,550.

i. On December 8, 2020, the Company recorded the receipt of 13,008,870 common shares returned by the Company's founders at a cost of \$0.74, reducing its share capital by the shares cost of \$9,572 with a corresponding adjustment to accumulated deficit.

During the year ended December 31, 2019, the following transactions were recorded in shareholders' equity:

On February 7, 2019, the Company issued 512,536 shares of Cansortium Holdings LLC to acquire the remaining 30 percent ownership of Cansortium Pennsylvania, LLC. The fair market value of the shares issued was \$847. As a result of the acquisition of the remaining membership units of Cansortium Pennsylvania, LLC, Cansortium Holdings became the sole owner. As a result of the transaction, the Company adjusted its carrying interest by \$219 for the non-controlling's interest in Cansortium Pennsylvania, LLC and recognized directly to equity the difference of \$1,066 between the non-controlling interest and the fair value of the shares issued.

On March 22, 2019, the Company issued 3,852,080 shares of the Company to acquire the remaining 40 percent ownership of Cansortium Canada Servicing Inc. The fair market value of the shares issued was \$6,369. As a result of the acquisition of the remaining interest in Cansortium Canada Servicing Inc., the Company became the sole owner. As a result of the transaction, the Company adjusted its carrying interest by \$450 for the non-controlling's interest in Cansortium Canada Servicing Inc. and recognized directly to equity the difference of \$6,619 between the non-controlling interest and the fair value of the shares issued.

On March 22, 2019, the Company acquired all shares of Cansortium Inc. in connection with the Company's initial public offering and listing on the Canadian Securities Exchange and issued 28,089,099 common shares of the Company for cash gross proceeds of \$56,178.

On April 22, 2019, the lender of the Bridge Loan Agreement exercised its right to convert the principal amount due thereunder to 1,220,000 shares of the Company's common stock. As a result, \$2,440 was transferred to share capital (see Note 14).

During the year ended December 31, 2019, the Company adjusted its initial application of IFRS 16 adding to the shareholders accumulated deficit on the amount of \$1,261.

During the year ended December 31, 2019, the Company issued 208,432 shares of the Company valued at \$600 for third-party related services.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Share Capital**

As of December 31, 2020, the share capital of the Company is comprised of 113,803,920 common shares, 7,411,183 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 55,910,907 warrants and convertible debt allotments and 14,931,039 stock options. For the purpose of the statement of changes in shareholders' equity, the proportionate voting shares have been included as part of common shares based on the 1 for 10 conversion ratio.

Earnings per share have been calculated using the weighted average number of shares outstanding during a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares. The weighted average number of basic and diluted shares are presented in the table below:

	December 31, 2020	December 31, 2019
Weighted average number of shares - basic	198,999,746	185,593,303
Weighted average warrants	33,586,992	24,339,927
Weighted average convertible debt allotment	17,933,011	12,355,276
Weighted average options	11,623,649	1,181,924
Weighted average number of shares - diluted	262,143,398	223,470,430

The number of warrants outstanding as of December 31, 2020 and 2019, were 37,977,896 and 27,038,138, respectively, and the number of warrants granted during the years ended December 31, 2020 and 2019, were 10,939,758 and 27,038,138, respectively.

Restricted Shares

Restricted shares are issued and outstanding shares that are subject to a Company escrow agreement requiring achievement of certain performance or service metrics to release such restrictions. Restricted shares activity for the Company for the years ended December 31, 2020 and 2019 is as follows:

	Restricted shares	Grant date fair value per unit	Aggregate intrinsic value
Balance as of December 31, 2017	-	\$ -	\$ -
Granted	11,166,850	2.75	30,709
Balance as of December 31, 2018	11,166,850	\$ 2.75	\$ 30,709
Vested	(2,169,749)	2.75	(5,967)
Forfeited	(50,000)	2.75	(138)
Balance as of December 31, 2019	8,947,101	\$ 2.75	24,605
Balance as of December 31, 2019	8,947,101	\$ 2.75	\$ 24,605
Vested	(905,364)	2.75	\$ (2,490)
Forfeited	(5,914,468)	2.75	(16,265)
Balance as of December 31, 2020	2,127,269	\$ 2.75	5,850

During the year ended December 31, 2019, the 648,545 shares issued for the acquisition of the remaining membership units of Cansortium Puerto Rico, LLC and the 1,000,000 shares issued for the acquisition of Green Standard vested.

During the year December 31, 2019, 84,091 restricted shares issued for employee compensation and 437,113 shares issued for professional services vested and 50,000 shares issued for employee compensation forfeited.

During the year ended December 31, 2020, 905,364 shares of restricted stock vested.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Restricted Shares (Continued)**

During the year ended December 31, 2020, 5,914,464 shares of restricted stock were forfeited, resulting in an adjustment to the statement of operations of \$713.

Stock Option Plan

On March 14, 2019, the Board of Directors (the "Board") of the Company approved a Stock Option Plan (the "Plan"). Under the Plan, the Board may grant options to acquire common shares of the Company to officers, employees, and consultants, to a limit of 10% of the outstanding common shares of the Company, including proportionate voting shares. The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long-term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long-term investments.

The term of an option grant is determined by the Board up to a maximum of 5 years from the grant date. Stock options granted generally vest over two to five years.

The following is a summary of the Company's grant of options to some of its officers, directors, employees and consultants using the Black-Scholes option pricing model. Assumptions for the years ended December 31, 2020 and 2019 were the following:

	Oct 6, 2020	Jul 7, 2020	May 26, 2020	May 15, 2020	May 5, 2020	Feb 13, 2020	Dec 31, 2019	Mar 21, 2019
Options granted	1,750,000	300,000	2,400,000	150,000	3,000,000	300,000	6,380,000	1,182,106
Fair Value	\$289	\$86	\$657	\$17	\$251	\$51	\$2,096	\$1,287
Stock price	\$0.28	\$0.30	\$0.38	\$0.41	\$0.16	\$0.36	\$0.44	\$1.59
Exercise price	\$0.30	\$0.32	\$0.40	\$1.00	\$0.26	\$0.45	\$0.44	\$2.00
Original term	3 years	5 years	5 years	3 years	3 years	2 years	2 to 5 years	2 to 5 years
Dividend rate	0%	0%	0%	0%	0%	0%	0%	0%
US treasury rate	0.17%	0.29%	0.35%	0.19%	0.24%	1.58%	1.67%	2.34%
Volatility	100%	100%	100%	100%	100%	100%	100%	100%
Forfeiture rate	0%	0%	0%	0%	0%	0%	0%	0%

Volatility rate for the above options estimated based on review of the historic volatility of publicly traded companies with similar operations. Fair Value is for each option granted.

In connection with the May 5, 2020 grant, the Company signed a Consulting Agreement with Zola Global Investors pursuant to which Zola received one million common shares and three million stock options. The fair value of these options of \$446 were measured at the date of grant using the Black-Scholes option pricing model.

In connection with May 15, 2020 grant, the Company signed Consulting Agreement for services to be rendered in connection with its Michigan cultivation and operation facilities of Green Standard pursuant to which the consultant received 150,000 options. The fair value of these options of \$17 were measured at the date of grant using the Black-Scholes option pricing model.

For the year ended December 31, 2020 and 2019, the Company recognized \$1,698 and \$3,001 as stock-based compensation in the consolidated statements of operations with corresponding credit to equity (share-based compensation reserve), respectively. This expense was calculated based on the vesting conditions of each grant.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***16. SHAREHOLDERS' EQUITY (Continued)****Stock Option Plan (Continued)**

As of December 31, 2020, there were 14,931,039 options outstanding, comprising of 14,361,139 options vested and 539,900 options non-vested, with remaining contractual lives 0.4 to 4.5 years.

The following is a summary of the changes in the Company's Stock Options Plan during the years ended December 31, 2020 and 2019:

	Options Issued	Weighted Average Exercise Price
Balance as of December 31, 2019	8,041,039	\$ 0.77
Granted	7,900,000	\$ 0.33
Forfeited	(1,010,000)	\$ 0.90
Balance as of December 31, 2020	14,931,039	\$ 0.53

The following is a summary of the outstanding options as of December 31, 2020:

Exercise prices	Outstanding as of December 31, 2020	Weighted average remaining contractual life (years)	Exercisable as of December 31, 2020	Weighted average remaining contractual life (years)
\$ 0.26	3,000,000	2.3	3,000,000	2.3
\$ 0.40	2,400,000	4.4	2,400,000	4.4
\$ 0.44	5,670,000	3.9	5,330,100	3.9
\$ 0.45	300,000	1.1	300,000	1.1
\$ 1.00	150,000	2.4	150,000	2.4
\$ 2.00	882,106	2.5	882,106	2.5
\$ 2.10	478,933	0.4	478,933	0.4
\$ 0.32	300,000	4.5	100,000	4.5
\$ 0.30	1,750,000	2.8	1,750,000	2.8
	14,931,039	3.3	14,391,139	3.3

17. EXPENSE BY NATURE

General and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
General and administrative		
Legal and professional fees	6,727	9,331
Salaries and benefits	\$ 2,813	\$ 6,112
Insurance	1,561	1,007
Rent expenses	240	731
Travel and entertainment	80	496
Other	1,097	4,043
Total general and administrative	\$ 12,517	\$ 21,720

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***17. EXPENSE BY NATURE (Continued)**

Sales and marketing expenses for the years ended December 31, 2020 and 2019 are as follows:

	December 31,	
	2020	2019
Sales and marketing		
Salaries and benefits	\$ 7,184	\$ 6,836
Security	2,266	1,868
Marketing expenses	1,519	1,078
Rent expenses	857	387
Supplies	377	292
Other	1,652	1,704
Total sales and marketing	\$ 13,855	\$ 12,165

18. COMMITMENTS AND CONTINGENCIES**(a) Office and Other Leases**

The Company leases certain business facilities from third parties under lease agreements that specify minimum rentals. The leases expire through 2032 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

For the twelve months period ending December 31,	Scheduled payments
2021	\$ 4,288
2022	4,474
2023	4,572
2024	4,519
2025	4,179
Thereafter	12,401
Total future minimum lease payments	\$ 34,433

(b) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of December 31, 2020, medical marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations, except for the claims disclosed below. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest, except for the claims disclosed below.

Cansortium Inc.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2020 and 2019***(Amounts expressed in thousands of United States Dollars unless otherwise stated)***18. COMMITMENTS AND CONTINGENCIES (Continued)****(c) Claims and Litigation (Continued)**

On September 3, 2019, the Company and Cansortium Inc., along with certain executives of the Company, were sued in Florida by Querrey Group, LLC, et al., wherein Querrey alleges, among other claims, breach of its consulting contract with Cansortium Inc, LLC and seeks approximately \$2,100 in damages. The Company denies the allegations set forth in the complaint and is vigorously defending itself. At this early stage of proceedings, the Company is unable to provide an evaluation of the likelihood that a loss will be incurred or an estimate of the amounts or range of possible loss.

On July 17, 2020, the Company entered into management agreement with Freedom Town Holdings, LLC ('FTH') to advise on the construction and management of cultivation facilities for which FTH will receive certain percentages of sales dependent on products and amounts sold. During the year ended December 31, 2020, there were no sales made in connection with this agreement.

On July 24, 2020, MXY Holdings, LLC and its affiliates (collectively "MXY") filed suit in California claiming breach by the Company of the Management Services Agreement ("MSA") in an amount not less than \$2,500. The terms of the MSA provided MXY with a fee for management consulting services, which services were supposed to include the creation and implementation of management plans and solutions, the provision of MXY personnel with industry expertise, and intellectual property. MXY's refusal or inability to materially deliver on its obligations prompted the Company to consider termination of the MSA and the Company sent MXY a default notice on July 8, 2020. This lawsuit was dismissed on October 1, 2020 for lack of personal jurisdiction. On December 10, 2020, MXY filed a new complaint for breach of contract in the US District Court for Southern District of Florida seeking similar damages. The Company continues to deny all claims related to the MSA and filed a Motion to Dismiss on March 16, 2021. On April 6, 2021, MXY submitted a proposed order to the court to dismiss the case.

19. RELATED-PARTY TRANSACTIONS***Key management personnel compensation***

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the years ended December 31, 2020 and 2019 key management personnel compensation consisted of the following:

	For the years ended December 31,	
	2020	2019
Salary	\$ 917	\$ 1,761
Option-based compensation	975	1,929
All other compensation	740	484
Total	\$ 2,632	\$ 4,174

19. RELATED-PARTY TRANSACTIONS *(Continued)*

Transactions with related parties

The Company leases one of its cultivation and production facilities from Knox Nursery Inc., a company owned by a member of Fluent Servicing until August 15, 2018. The lease began October 2017 and terminated on August 15, 2020. The monthly rental fee was \$1.5 per month.

On February 1, 2020, Neal Hochberg and John McKimm, Directors of the Company, participated on the non-brokered private placement offering (see Note 16) contributing with \$128 and \$43 in satisfaction of a portion of accrued directors' fees, respectively.

On December 8, 2020, the Company recorded the receipt of 13,008,870 common shares returned by the Company's founders Jose Hidalgo, Henry Batievsky, and Pat Maloy, at a cost of \$0.01 (one cent of a dollar) (See Note 16 i.).

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, note receivable, accounts payable and accrued liabilities, derivative liability, lease obligations and notes payable.

Financial Assets

- (i) Cash is comprised of deposits held in financial institutions and cash on hand.

Financial Liabilities

- (i) Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.
- (ii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The liability component of the compound financial instruments is initially recognized as the difference between the fair value of the derivative liability (i.e., conversion feature) and the fair value of the convertible notes payable. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method and the derivative liability is re-measured with subsequent changes in fair market value.
- (iii) Other financial liabilities include the Company's accounts payable and accrued expenses, notes payable and lease obligations. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes:

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2020 is the carrying amount of cash, accounts receivable and note receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from accounts receivable and note receivable arises from the possibility that amounts due become uncollectible.

In addition to the commitments outlined in Note 18, the Company had the following contractual obligations as of December 31, 2020:

	<u>< 1 year</u>	<u>years</u>	<u>years</u>	<u>> 5 years</u>	<u>Total</u>
Accounts payable	\$ 4,807	\$ -	\$ -	\$ -	\$ 4,807
Accrued liabilities	\$ 7,614	\$ -	\$ -	\$ -	\$ 7,614
Notes payable	\$ 38,583	\$ 13,161	\$ 21	\$ -	\$ 51,765
Lease obligations	\$ 1,894	\$ 4,993	\$ 5,860	\$ 9,959	\$ 22,705

In addition to the commitments outlined in Note 18, the Company had the following contractual obligations as of December 31, 2019:

	<u>< 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Accounts payable	\$ 7,860	\$ -	\$ -	\$ -	\$ 7,860
Accrued liabilities	\$ 5,135	\$ -	\$ -	\$ -	\$ 5,135
Notes payable	\$ 9,350	\$ 30,982	\$ 71	\$ -	\$ 40,403
Lease obligations	\$ 22,927	\$ 4,274	\$ 5,405	\$ 11,487	\$ 22,927

(b) Market Risk*(i) Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Risk Management *(Continued)*

(b) Market Risk *(Continued)*

(ii) Currency Risk

The consolidated operating results and consolidated financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of December 31, 2020, and 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

(d) Banking Risk

Notwithstanding that most of the states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

(e) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Cansortium Inc.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2021, which is the date these consolidated financial statements were issued.

On January 31, 2021, the Company extended the maturity date of the \$10M Convertible Note to December 1, 2022 and issued 1,263,407 common shares of the Company in satisfaction of all unpaid interest on the \$10M Convertible Note accrued up to January 31, 2021 in the amount of \$569. The Company has paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10M Convertible Note as at January 31, 2021, satisfied by the Company through the issuance of 234,857 common shares of the Company at \$0.45 per share and 5,000,000 warrants to the noteholders on a pro-rata basis (see Note 15). Each warrant is exercisable at \$0.60 until December 1, 2022. The Company has the right to redeem up to \$5 million of the \$10M Convertible Note by May 10, 2021.

On January 31, 2021, the Company transferred all of its interest in Cansortium Australia PTY, LTD to its existing partners increasing their shares from 50% to 100% for the aggregate consideration of \$0.01.

On April 5, 2021, the Company issued \$11.8 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.

On April 9, 2021, the Company issued another \$5.2 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.

On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of \$71 million. The Term Loan will bear interest of 13% semi-annually, with a 4-year maturity and is callable in 18 months. In connection with the transaction, 12.5 million warrants with an exercise price of \$1.20 were granted. Subject to certain conditions of the agreement, the Company has the ability to increase the Term Loan by up to US\$20 million.

CANSORTIUM INC.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") provides information concerning the financial condition and results of operations of Consortium Inc. (the "Company"). This MD&A is provided as of April 29, 2021 unless otherwise stated, and should be read along with the audited Consortium Inc. ("Consolidated Financial Statements") and the accompanying notes for the years ended December 31, 2020 and 2019.

The results reported herein have been prepared in accordance with IFRS and, unless otherwise noted, are expressed in United States thousands of dollars.

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries and the Company's interests in affiliated companies (see "Basis of consolidation" section within this MD&A). All intercompany balances and transactions have been eliminated on consolidation.

This MD&A includes non-IFRS financial measures, such as "Adjusted gross profit", "Adjusted gross margin", "Pro-forma revenue", "Pro-forma adjusted gross profit", "Pro-forma adjusted gross margin", "Pro-forma income (loss) from operations", "EBITDA", "Adjusted EBITDA", "EBITDA margin" and "Adjusted EBITDA margin", as defined below. The management of the Company believes that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, provide information that is helpful to understand the results of operations and financial condition of the Company. The objective is to present readers with a view of the Company from the management's perspective by interpreting the material trends and activities that affect the operating results, liquidity, and financial position of the Company. These measures are not necessarily comparable to similarly titled measures used by other companies.

"Adjusted gross profit" is gross profit plus (minus) the changes in fair value of biological assets. "Adjusted gross margin" is "Adjusted gross profit" divided by revenue. "EBITDA" is net income (loss), plus (minus) interest expense (income) and finance transactions costs, plus taxes, plus depreciation and amortization. "EBITDA margin" is equal to EBITDA divided by revenue. "Adjusted EBITDA" is equal to EBITDA plus (minus) the changes in fair value of biological assets, plus (minus) the changes in fair market value of derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. "Adjusted EBITDA Margin" is equal to Adjusted EBITDA divided by revenue.

Consortium Inc. was incorporated under the laws of the Province of Ontario, Canada pursuant to the Business Corporations Act (Ontario) ("OBCA") on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137. In March 2019, the Company acquired all member units of Consortium Holdings LLC ("Consortium Holdings"), in connection with the Company's initial public offering listing ("IPO") on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U" and on the OTCQB Venture Market under the trading symbol "CNTMF".

Additional information relating to the Company, including the Company's audited year-end financial results and unaudited quarterly financial results, can be accessed on SEDAR (www.sedar.com).

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. All statements, other than statements of historical facts, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements may include, among other things, statements relating to future financial conditions, results of operations, plan, objectives, performance, or business developments.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that the Company's current good relationships with the Company's suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions, and other factors, including risks described in the public documents of the Company available at www.sedar.com.

The Company's forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results that were not anticipated, estimated, or intended. There is no assurance that such 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. The Company does not undertake to update or revise any forward-looking statements except to the extent required by applicable securities laws in Canada.

Basis of Consolidation

This MD&A includes the accounts of the Company and its wholly and majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of operations and in the consolidated statement of changes in shareholders' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are consolidated in the Condensed Interim Consolidated Financial Statements and the ownership interest held as of December 31, 2020 and December 31, 2019.

Legal Entity	Defined as	% Ownership December 31, 2020	% Ownership December 31, 2019	Accounting Method
Cansortium Holdings LLC	Cansortium Holdings	100.00%	100.00%	Consolidation
Cansortium Pennsylvania, LLC	Cansortium Pennsylvania	100.00%	100.00%	Consolidation
Cansortium Puerto Rico, LLC	Cansortium Puerto Rico	100.00%	100.00%	Consolidation
Cansortium Texas, LLC	Cansortium Texas	100.00%	100.00%	Consolidation
Cansortium Canada Holdings Inc.	Cansortium Canada Holdings	100.00%	100.00%	Consolidation
1931074 Ontario Inc.	Cansortium Canada	0.00%	100.00%	Consolidation
Cansortium Canada Servicing, Inc.	Cansortium Canada Servicing	0.00%	100.00%	Consolidation
Fluent Servicing, LLC	Fluent Servicing	100.00%	100.00%	Consolidation
Cansortium Brazil Ltda.	Cansortium Brazil	100.00%	100.00%	Consolidation
Cansortium Australia Pty. Ltd	Cansortium Australia	50.00%	84.51%	Consolidation
Cansortium Health Partners, LLC	Cansortium Health Partners	100.00%	100.00%	Consolidation
Cansortium Florida, LLC	Cansortium Florida	100.00%	100.00%	Consolidation
Cansortium Colombia S.A.S.	Cansortium Colombia	50.00%	100.00%	Equity *
Arcadia EcoEnergies Ltd.	Arcadia EcoEnergies	0.00%	52.00%	Consolidation
Spirit Lake Road Nursery, LLC	Spirit Lake Road Nursery	100.00%	100.00%	Consolidation
16171 Slater Road Investors LLC	16171 Slater Road Investors	100.00%	100.00%	Consolidation
Cansortium Oregon LLC	Cansortium Oregon	0.00%	100.00%	Consolidation
Cansortium Washington, LLC	Cansortium Washington	0.00%	100.00%	Consolidation
Cansortium California LLC	Cansortium California	0.00%	100.00%	Consolidation
Cansortium Michigan LLC	Cansortium Michigan	100.00%	100.00%	Consolidation
Cloud Nine Capital, LLC	Cloud Nine Capital	100.00%	100.00%	Consolidation
Cavern Capital Holdings LLC	Cavern Capital Holdings	100.00%	100.00%	Consolidation
Harvest Park Lot 9 Investors LLC	Harvest Park Lot 9	100.00%	100.00%	Consolidation
Harvest Park Lot 9 Investors No. 2 LLC	Harvest Park Lot 9 No. 2	100.00%	100.00%	Consolidation
Cansortium Property Holdings, Inc.	Cansortium Property Holdings	0.00%	100.00%	Consolidation
Fluent Hemp LLC	Fluent Hemp	100.00%	100.00%	Consolidation
Cansortium Ohio, LLC	Cansortium Ohio	0.00%	85.00%	Consolidation
Cansortium Beverage Company Inc.	Cansortium Beverage Company	100.00%	100.00%	Consolidation
Cansortium International Inc.	Cansortium International	100.00%	100.00%	Consolidation

* The Company's investment in Cansortium Colombia started to be accounted for as an equity method investment on January 22, 2020, the date on which the Company reduced its ownership of Cansortium Colombia from 100% to 50%.

Business Overview

All of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the years ended December 31, 2020 and 2019 were generated in the United States.

The Company, through its various U.S. subsidiaries, is licensed to produce and sell medical cannabis in Florida and Texas, and is licensed to sell medical cannabis in Pennsylvania.

The Company, through its wholly-owned subsidiary Consortium Brazil Ltda., obtained a permit for a Pharmaceutical Industry and Distribution License in Brazil, issued by the National Health Surveillance Agency ("ANVISA"), and has an exclusive distribution agreement with a pharmacy supply company in Brazil, Distribuidora de Medicamentos Santa Cruz Ltda.

As stated below, the Company decided to discontinue its operations in Puerto Rico, Canada and Colombia during 2019.

In the United States, licensing for medical or recreational cannabis cultivation, production, sale, and use is determined at a state level basis and not federally. Cultivation, sale and use of cannabis is illegal under federal law in the United States pursuant to the U.S. Controlled Substances Act of 1970. Each state which allows the production, sale and/or use of cannabis has its own legislation, rules, regulations, and policies with respect to the licensing of medical or recreational cannabis related activities. The Company believes that its operations are in full compliance with all applicable state and local laws, regulations, and licensing requirements.

In October 2019, the Company's Board of Directors established a special committee comprised of its then three independent directors and engaged financial and legal advisors to assist in developing and implementing a series of strategic reorganization and growth initiatives. The primary goals of these on-going initiatives are:

- to drive sustainable, profitable growth in the Company's core market of Florida by allocating the necessary capital to expand the number of dispensaries in the state, and
- to increase the Company's operational flexibility and liquidity necessary to expand its cultivation and dispensary footprints in the highly attractive markets of Michigan, Texas and Pennsylvania.

During the fourth quarter of 2019, following its comprehensive review of Consortium's corporate structure and management positions, the Board approved the implementation of cost saving initiatives that resulted in more than \$4.5 million of aggregate annualized savings through reductions in the workforce, elimination of senior management positions and reductions in executive management compensation. Also, consistent with its refocused growth strategy, the Company decided to discontinue its operations in Puerto Rico, Canada and Colombia. On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Consortium Inc. previously issued to acquire 100% of Consortium Colombia, and thereby reducing its ownership of Consortium Colombia to 50%. Additionally, the Company completed the sale of its Puerto Rican business on April 28, 2020 and completed the sale of its Canadian business on May 29, 2020.

By more effectively deploying its capital to U.S. markets in which it has existing operations and that present actionable near-term opportunities to achieve scale, the Company believes that its refocused strategy is enabling it to make significant progress toward achieving sustainable, profitable growth. The Company secured an additional cultivation and production facility with minimum capital outlay, with operations anticipated to commence in the first quarter of 2021, and has expanded its operations to include 24 Florida dispensaries, one Pennsylvania dispensary and has an additional three Florida dispensaries in various stages of construction and regulatory approval.

Business Overview (Continued)

Florida

Most of the Company's existing business takes place in the State of Florida.

As of the date of this MD&A, the Company operates one cultivation and production facility in Tampa, FL, producing various products ranging from tinctures, capsules, suppositories, topicals, inhalation vaporizers and edibles. The Tampa facility is approximately 22,000 sq. ft. of indoor cultivation which includes 20,160 sq. ft. of flowering canopy over 6 levels. The Company transitioned its production and cultivation activities to the Tampa facility from the Winter Garden facility in July and August 2020 in connection with the termination of the Winter Garden lease on August 13, 2020.

In August 2020, the Company secured the addition of a new 24,225 sf. building to the existing Tampa facility with approximately 9,000 sf. of new cultivation area and approximately 15,000 sf. of new production and office space is expected to be fully operational during the third quarter of 2021.

In the fourth quarter of 2020 the company started operations in its newly built Sweetwater facility, with 26,000 sq. ft. of indoor cultivation, production, and administrative space. The first phase of the Sweetwater facility operations includes 6,000 sq. ft. indoor flowering canopy, with its first harvesting occurring in March 2021, and 40,000 sq. ft. greenhouse expansion expected to be completed in the second quarter of 2021. Additionally, the facility has expansion capacity for up to seven additional greenhouses.

As of the date of this MD&A, the Company operates 24 dispensaries throughout the State of Florida, including the recently opened Fort Pierce, Coral Springs, Coral Gables and Kendall locations. An additional three locations are in various stages of construction and regulatory approval expected to open by the end of 2021. The Company expects to continue to grow its retail footprint in Florida with a total of 33 dispensaries anticipated to be operational by the end of 2022.

In the State of Florida, the Department of Health, Office of Medical Marijuana Use (the "Department") issues licenses to Medical Marijuana Treatment Centers to cultivate, process and sell medical cannabis (referred to as an "MMTC License"). The Company operates under an MMTC License issued to Spirit Lake Road Nursery, LLC, a wholly-owned indirect subsidiary of the Company.

Texas

The Company owns and operates 1,300 sq. ft. of cultivation space in climate and humidity-controlled C-containers which includes 1,920 sq. ft. of flowering canopy over 2 levels. Currently, the Company only sells in Texas via home deliveries. The Company has rights to expand the cultivation facility up to 400,000 additional sq. ft. as demand requires.

Current legislation in Texas allows for legal access to medical cannabis products containing up to 0.5 percent THC for patients coping with a broader list of chronic medical conditions and diseases including epilepsy, seizure disorders, multiple sclerosis, spasticity, amyotrophic lateral sclerosis, autism, and terminal cancer.

Pennsylvania

The Company currently operates one dispensary and is licensed to operate up to three dispensaries in the south-central region of Pennsylvania for the sale of medical cannabis only. This dispensing permit allows for the purchase of finished products from permitted processors in the Commonwealth of Pennsylvania.

The Company started the development of two new dispensaries in the south-central region of Pennsylvania that are expected to be operational by the end of 2021.

Business Overview (Continued)

Michigan

In October 2018, the Company partnered with Green Standard Holdings LLC and Green Standard, Inc. (collectively, "Green Standard") to acquire cultivation, production and future retail dispensary licenses from Green Standard. Green Standard currently holds 4 Class C Medical Cultivation Licenses and 2 Class C Adult Cultivation Licenses which, in total, allows for the cultivation of up to 10,000 plants. In May 2019, the Company acquired vacant land in order to develop an outdoor cultivation facility with Green Standard. Cultivation began in August 2019 and the first harvest from this Michigan facility was sold to wholesale customers during 2020.

Discontinued Operations

Puerto Rico

The Company discontinued its operations in Puerto Rico during the year ended December 31, 2019, as part of its strategic decision to focus its resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Puerto Rican business are classified as held for sale on the Company's December 31, 2019 financial statements. The sale of the Puerto Rican business closed on April 28, 2020.

Canada

During the year ended December 31, 2019, the Company discontinued its Canadian operations in order to reduce operating expenses and focus its resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Canadian business are classified as held for sale on the Company's December 31, 2019 financial statements. The sale of the Canadian business closed on May 29, 2020.

Colombia

The Company discontinued its operations in Colombia during the year ended December 31, 2019 in order to reduce operating expenses and focus the Company's resources on opportunities in the U.S. cannabis markets. Accordingly, the assets and liabilities associated with its Colombian business are classified as held for sale on the Company's December 31, 2019 financial statements. On January 22, 2020, the Company completed the return to treasury of 4,124,166 shares of Consortium Inc. previously issued to acquire 100% of Consortium Colombia, and thereby reducing its ownership of Consortium Colombia to 50%. The Company's current investment in Consortium Colombia is classified as investment held for sale on the Company's December 31, 2020 financial statements.

Products and Brands

The Company's medical cannabis products are offered in oral drops, capsules, suppositories, topicals, syringes, dried flower, pre-rolls, cartridges and edibles. All of its products are marketed under the Fluent™ brand name, which was launched in May 2019 to convey the Company's commitment to gaining a deeper understanding of cannabis' potential positive impacts on human health and wellness. Prior to the launch of the Fluent brand the Company had operated under the Knox Medical™ brand.

In October 2020 the Company commenced sales of edibles in each of its Florida dispensaries. Fluent's first edibles product line, Fluent Gels, are bite-sized pieces sold in packages of 10 pieces, each pre-dosed with 10mg of THC. Fluent Gels have been handcrafted in partnership with Smokiez, known nationwide for their edible products, and are vegan, gluten-free, non-dairy and contain no high fructose corn syrup. The Company expects to continue to expand its edibles offerings to meet patient demand.

In Pennsylvania, the Company's product portfolio includes a variety of third-party branded medical cannabis products.

Initial 2021 Outlook

The Company has continued to make progress on its targeted initiatives focused on growth and long-term shareholder value creation and is projecting revenue of \$85 million to \$100 million and Adjusted EBITDA of \$25 million to \$35 million for 2021.

COVID-19 Pandemic

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic, pandemic or other public health crisis, including the COVID-19 pandemic.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. As a result, the Governments of Canada and the U.S. have instituted various recommendation and laws to help limit its spread. This has resulted in, among other things, supply chain issues, a decrease in availability of production materials, transportation delays, personnel shortages, changes in customer demand for the Company's products, increased government regulations or interventions, and ongoing economic uncertainty, all of which has impacted the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 pandemic is unknown at this time. The Company continues to monitor COVID-19 developments and its production facilities have continued operations.

Subsequent Events

On January 31, 2021, the Company extended the maturity date of the \$10M Convertible Note to December 1, 2022 and issued 1,263,407 common shares of the Company in satisfaction of all unpaid interest on the \$10M Convertible Note accrued up to January 31, 2021 in the amount of \$569. The Company has paid an extension fee equivalent to 1% of the total principal amount and accrued interest outstanding on the \$10M Convertible Note as at January 31, 2021, satisfied by the Company through the issuance of 234,857 common shares of the Company at \$0.45 per share and 5,000,000 warrants to the noteholders on a pro-rata basis (see Note 15). Each warrant is exercisable at \$0.60 until December 1, 2022. The Company has the right to redeem up to \$5 million of the \$10M Convertible Note by May 10, 2021.

On January 31, 2021, the Company transferred all of its interest in Consortium Australia PTY, LTD to its existing partners increasing their shares from 50% to 100% for the aggregate consideration of \$0.01.

On April 5, 2021, the Company issued \$11.8 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.

On April 9, 2021, the Company issued another \$5.2 million of units at a purchase price of \$0.70. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company through for a period of 24 months at an exercise price of \$0.90. The proceeds from the issuance will be used to accelerate the Company's growth initiatives in both Florida and Michigan and for working capital purposes.

On April 29, 2021, the Company entered into a Senior Secured Term Loan in the amount of \$71 million. The Term Loan will bear interest of 13% semi-annually, with a 4-year maturity and is callable in 18 months. In connection with the transaction, 12.5 million warrants with an exercise price of \$1.20 were granted. Subject to certain conditions of the agreement, the Company has the ability to increase the Term Loan by up to US\$20 million.

Management's Discussion & Analysis of the Company for the three months ended December 31, 2020 and 2019

FINANCIAL HIGHLIGHTS

Financial results	Three months ended		
	December 31, 2020	December 31, 2019	Variance
Revenue	\$ 14,671	\$ 9,505	\$ 5,166
Gross profit	\$ (210)	\$ 9,382	\$ (9,592)
Gross margin	-1.4%	98.7%	-100.1%
Adjusted gross profit ⁽¹⁾	\$ 6,651	\$ 5,731	\$ 920
Adjusted gross margin ⁽¹⁾	45.3%	60.3%	-15.0%
Selling, general and administrative expenses	\$ 9,490	\$ 15,177	\$ (5,687)
EBITDA ⁽¹⁾	\$ (4,993)	\$ (24,058)	\$ 19,065
Adjusted EBITDA ⁽¹⁾	\$ 3,305	\$ 95	\$ 3,210
Net loss	\$ (8,350)	\$ (32,770)	\$ 24,420
Net loss per share (basic)	\$ (0.04)	\$ (0.18)	\$ 0.13
Net loss per share (diluted)	\$ (0.04)	\$ (0.18)	\$ 0.13
Balance Sheet			
	December 31, 2020	December 31, 2019	Variance
Total assets	\$ 154,531	\$ 167,066	\$ (12,535)
Total long-term liabilities	\$ 57,464	\$ 77,852	\$ (20,388)
Total liabilities	\$ 126,700	\$ 119,888	\$ 6,812

Notes:

(1) Adjusted gross profit, adjusted gross margin, EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to the reconciliation to IFRS and quarterly results of operations sections below for reconciliation to IFRS.

QUARTERLY RESULTS OF OPERATIONS (three months ended December 31, 2020 and 2019)

(all figures in 000's)

	Three months ended		
	December 31, 2020	December 31, 2019	Variance
Revenue, net of discounts	\$ 14,671	\$ 9,505	\$ 5,166
Cost of goods sold	6,102	3,774	2,328
Inventory and biological assets reserve	1,918	-	1,918
Adjusted gross profit ⁽¹⁾	6,651	5,731	920
Adjusted gross margin ⁽¹⁾	45.3%	60.3%	-15.0%
Realized fair value of increments on inventory sold	(432)	(2,902)	2,470
Unrealized change in fair value of biological assets	(6,429)	6,553	(12,982)
Gross profit	(210)	9,382	(9,592)
Gross margin	-1.4%	98.7%	-100.1%
Expenses			
General and administrative	3,453	5,948	(2,495)
Share-based compensation	807	5,416	(4,609)
Sales and marketing	3,692	3,194	498
Depreciation and amortization	1,538	619	919
Total expenses	9,490	15,177	(5,687)
Loss from operations	(9,700)	(5,795)	(3,905)
Discontinued operations	(9)	12,415	(12,424)
Other expense (income)			
Interest expense, net	2,311	5,025	(2,714)
Change in fair market value of derivative	(2,745)	5,844	(8,589)
Gain/(Loss) on investment in associate	(227)	353	(580)
Change in derivative for equity price guarantee	(1,188)	-	-
Gain in fair market value of investment in associate	-	-	-
Expected credit loss on note receivable	1,286	-	1,286
Loss on disposal of assets	308	704	(396)
Other expense	0	178	(178)
Total other (income) expense	(255)	12,104	(12,359)
Loss before taxes	(9,436)	(30,314)	20,878
Income taxes	(1,086)	2,456	(3,542)
Net loss	(8,350)	(32,770)	24,420

(1) Adjusted gross profit and adjusted gross margin are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to the reconciliation to IFRS and quarterly results of operations sections below for reconciliation to IFRS

Revenue

Consolidated revenue for the three months ended December 31, 2020 increased 54.4% to \$14,671, compared to \$9,505 for the same period last year. Revenue for the three months ended December 31, 2020 consisted primarily of revenue generated through the Company's twenty-four Florida dispensaries, along with revenue from one dispensary in Pennsylvania. Revenue for the three months ended December 31, 2019 consisted primarily of revenue generated through the company's eighteen Florida dispensaries, including home deliveries, along with revenue from one dispensary in Pennsylvania and two dispensaries in Puerto Rico.

Gross profit / Adjusted gross profit

Adjusted gross profit for the three months ended December 31, 2020 was \$6,651, or 45.3% of revenue, versus adjusted gross profit of \$5,731, or 60.3% of revenue for the same period last year. The decreased adjusted gross profit and gross margin was primarily due to an inventory and biological assets reserve of \$1,918. The reserve reflects net realizable value adjustments related to inventory held in Texas, for which the marketability of products is still uncertain. Excluding the inventory adjustment, gross margin for the three months ended December 31, 2020 is 58.4%, compared to 60.3% for the same period in 2019.

Gross profit for the three months ended December 31, 2020 was a loss of \$210, compared with gross profit of \$9,382, or 98.7% of revenue for the same period last year. In addition to the inventory adjustment described above, changes in fair value of biological assets and inventory accounted for \$9,592 additional cost for the three months ended December 31, 2020 compared to the same period in 2019.

Selling, general and administrative expenses

Consolidated selling, general and administrative (SG&A) expenses for the three months ended December 31, 2020 and 2019 were as follows:

	Three months ended		
	December 31, 2020	December 31, 2019	Variance
General and administrative expenses	\$ 3,453	\$ 5,948	\$ (2,495)
Share-based compensation	807	5,416	(4,609)
Selling and marketing expenses	3,692	3,194	498
Depreciation and amortization	1,538	619	919
Total expenses	\$ 9,490	\$ 15,177	\$ (5,687)

Consolidated SG&A expenses of \$9,490 for the three months ended December 31, 2020 decreased by \$5,687 compared to the same period last year. This decrease was primarily due the cost savings initiatives implemented during the fourth quarter of 2019 and throughout 2020, which included reductions in the workforce, elimination of senior management positions and reductions in executive management compensation and lower depreciation and amortization expense, partially offset by higher share-based compensation expenses and slightly higher selling and marketing expenses to support the Company's expanded Florida dispensary platform.

General and administrative expenses

As noted above, total general and administrative expenses for the three months ended December 31, 2020 decreased by \$2,495 compared to the same period last year, primarily driven by lower salaries and benefits of \$2,500 associated with workforce optimization.

Share-based compensation

Share-based compensation expenses of \$807 decreased by \$4,609 for the three months ended December 31, 2020 compared to \$5,416 for the same period last year mainly due to lower share vesting expenses activity for shares and options issued for professional services rendered and employee compensation.

Selling, general and administrative expenses (continued)

Selling and marketing expenses

Selling and marketing expenses of \$3,692 increased by \$498 for the three months ended December 31, 2020 compared to \$3,194 for the same period last year, primarily reflecting the increased number of Florida dispensaries in operation versus the same period last year.

Selling and marketing expenses as a percentage of revenue was 25.2% for the three months ended December 31, 2020 versus 33.6% for the same period last year.

Discontinued operations

During the year ended December 31, 2019, the Company discontinued its operations for Consortium Colombia S.A.S, and Consortium Puerto Rico LLC, as well as those for 1931074 Ontario, Inc, Consortium Canada Servicing Inc., Consortium Property Holdings Inc., and Arcadia EcoEnergies, Ltd. (collectively, the "Canadian Subsidiaries").

During the three months ended December 31, 2020, the Company recorded a net gain of \$9 from discontinued operations driven for the period.

Other expense (income)

Other expense (income) for the three months ended December 31, 2020 and 2019 were as follows:

	Three months ended		
	December 31, 2020	December 31, 2019	Variance
Interest expense, net	\$ 2,311	\$ 5,025	\$ (2,714)
Change in fair market value of derivative	(2,745)	5,844	(8,589)
Change in derivative for equity price guarantee	(1,188)	-	(1,188)
(Gain)/Loss on investment in associate	(227)	353	(580)
Expected credit loss on note receivable	1,286	-	1,286
Loss on disposal of assets	308	704	(396)
Other expense	-	178	(178)
Total other expense (income)	\$ (255)	\$ 12,104	\$ (12,359)

Total other income during the three months ended December 31, 2020 was \$255, consisting primarily of change in fair market value of derivative liabilities of \$2,745, gain on investment in associate of \$227, change in derivative for equity price guarantee of \$1,188, partially offset by interest expense of \$2,311 and loss on disposal of assets of \$308.

Total other expense during the three months ended December 31, 2019 was \$12,104, consisting primarily of change in fair market value of derivative liabilities of \$5,844, interest expense of \$5,025, loss of disposal of assets of \$704 and loss on investment in associate of \$353.

Interest expense of \$2,311 for the three months ended December 31, 2020 was primarily comprised of interest expense of \$674 and accretion expenses of \$1,064 associated with the issuance of convertible notes payable and promissory note versus \$5,025 for the same period last year, primarily comprised of notes payable and convertible debentures interest expense associated with the August 2018 acquisition of Fluent Servicing and February and March 2019 issuance of convertible notes payable.

During the three months ended December 31, 2020, the Company recognized a \$2,745 gain in fair value on revaluation of the derivative liability associated with equity price guarantee instruments from the Fluent Servicing acquisition and revaluation of the derivative liability associated with the Green Standard acquisition equity price guarantee instrument, versus a loss of \$5,844 for the same period last year.

Other expense (income) (continued)

During the three months ended December 31, 2020, the Company recognized a \$1,188 gain related to change in derivative for equity price guarantee, comprised of \$2,238 related to the return of shares, partially offset by a loss of \$1,050 related to the cancellation of the derivative liability.

Gain on investment in associate for the three months ended December 31, 2020 was \$277 versus a loss of \$353 in the same period last year.

Loss on disposal of assets for the three months ended December 31, 2020 was primarily due to the write off of decommissioned equipment and vehicles. Loss on disposal of assets for the three months ended December 31, 2019 was primarily due to leasehold improvements from a Florida dispensary location and Winter Garden cultivation and manufacturing facility.

EBITDA

EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA from net income (loss), plus (minus) interest expense (income), plus taxes, plus depreciation and amortization, as follows:

	Three months ended		
	December 31, 2020	December 31, 2019	Variance
Net loss	\$ (8,350)	\$ (32,770)	\$ 24,420
Interest expense	2,311	5,025	(2,714)
Income taxes	(1,086)	2,456	(3,542)
Depreciation and amortization	2,132	1,231	901
EBITDA	\$ (4,993)	\$ (24,058)	\$ 19,065

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from EBITDA plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	Three months ended		
	December 31, 2020	December 31, 2019	Variance
EBITDA	\$ (4,993)	\$ (24,058)	\$ 19,065
Change in fair value of biological assets	6,861	(3,651)	10,512
Inventory and biological assets reserve	3,205	-	3,205
Change in fair market value of derivative	(2,745)	5,844	(8,589)
Share-based compensation	807	5,416	(4,609)
Change in derivative for equity price guarantee	(1,188)	-	(1,188)
Expected credit loss on note receivable	1,286	-	1,286
Discontinued operations	(9)	12,415	(12,424)
Other non-recurring expense ⁽¹⁾	81	4,129	(4,048)
Adjusted EBITDA	\$ 3,305	\$ 95	\$ 3,210

(1) Other non-recurring expense for the three months ended 2019 primarily driven by loss on disposal of assets of \$2,242.

Management's Discussion & Analysis of the Company for the years ended December 31, 2020 and 2019

FINANCIAL HIGHLIGHTS

Financial results	Years ended		
	December 31, 2020	December 31, 2019	Variance
Revenue	\$ 52,388	\$ 28,511	\$ 23,877
Gross profit	\$ 29,875	\$ 18,056	\$ 11,819
Gross margin	57.0%	63.3%	-6.3%
Adjusted gross profit ⁽¹⁾	\$ 31,357	\$ 17,915	\$ 13,442
Adjusted gross margin ⁽¹⁾	59.9%	62.8%	-3.0%
Selling, general and administrative expenses	\$ 38,289	\$ 48,915	\$ (10,626)
EBITDA ⁽¹⁾	\$ (8,238)	\$ (35,686)	\$ 27,448
Adjusted EBITDA ⁽¹⁾	\$ 10,293	\$ (6,936)	\$ 17,228
Net loss	\$ (36,619)	\$ (65,645)	\$ 29,026
Net loss per share (basic)	\$ (0.18)	\$ (0.36)	\$ 0.18
Net loss per share (diluted)	\$ (0.18)	\$ (0.36)	\$ 0.18
Balance Sheet			
Total assets	\$ 154,531	\$ 167,066	\$ (12,535)
Total long-term liabilities	\$ 57,464	\$ 77,852	\$ (20,388)
Total liabilities	\$ 126,700	\$ 119,888	\$ 6,812

Notes:

(1) Adjusted gross profit, adjusted gross margin, EBITDA and Adjusted EBITDA are non-IFRS financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Refer to the reconciliation to IFRS and quarterly results of operations sections below for reconciliation to IFRS.

Revenue

Consolidated revenue for the year ended December 31, 2020 increased 83.7% to \$52,388, compared to \$28,511 for the same period last year. Revenue for the year ended December 31, 2020 consisted primarily of revenue generated through the company's twenty-four Florida dispensaries, including home deliveries, along with revenue from one dispensary in Pennsylvania. Revenue for the year ended December 31, 2019 consisted primarily of revenue generated through the company's eighteen Florida dispensaries, including home deliveries, along with revenue from one dispensary in Pennsylvania and two dispensaries in Puerto Rico.

Gross profit / Adjusted gross profit

Adjusted gross profit for the year ended December 31, 2020 was \$31,357, or 59.9% of revenue, versus adjusted gross profit of \$17,915, or 62.8% of revenue for the same period last year. The decreased adjusted gross profit and gross margin was primarily due to an inventory and biological assets reserve of \$1,918. The reserve reflects net realizable value adjustments related to inventory held in Texas, for which the marketability of products is still uncertain. Excluding this adjustment, gross margin for the year ended December 31, 2020 is 63.5%, compared to 62.8% for the same period in 2019.

Gross profit for the year ended December 31, 2020 was \$29,875, or 57.0% of revenue compared with gross profit of \$18,056, or 63.3% of revenue for the same period last year. In addition to the inventory adjustment described above, changes in fair value of biological assets and inventory accounted for \$1,001 additional cost for the year ended December 31, 2020 compared to the same period in 2019.

Selling, general and administrative expenses

Consolidated selling, general and administrative (SG&A) expenses for the years ended December 31, 2020 and 2019 were as follows:

	Years ended		
	December 30, 2020	December 30, 2019	Variance
General and administrative expenses	\$ 12,517	\$ 21,720	\$ (9,203)
Share-based compensation	5,744	7,161	(1,417)
Selling and marketing expenses	13,855	12,165	1,690
Depreciation and amortization	6,173	7,869	(1,696)
Total expenses	\$ 38,289	\$ 48,915	\$ (10,626)

Consolidated SG&A expenses of \$38,289 for the year ended December 31, 2020 decreased by \$10,626 compared to the same period last year. This decrease was primarily due to non-recurring initial public offering related expenses incurred during the first quarter of 2019 and the cost savings initiatives implemented during the fourth quarter of 2019 and during 2020, which included reductions in the workforce, elimination of senior management positions and reductions in executive management compensation, as well as, lower depreciation and amortization expense, partially offset by higher share-based compensation expenses and higher selling and marketing expenses to support the Company's expanded Florida dispensary platform.

General and administrative expenses

As noted above, total general and administrative expenses for the year ended December 31, 2020 decreased by \$9,203 compared to the same period last year, primarily driven by lower legal and professional fees of \$2,605 mainly due to non-recurring expenses associated with the Company's initial public offering expenses incurred in the prior year and lower salaries and benefits of \$2,601 associated with workforce optimization.

Selling, general and administrative expenses (continued)

Share-based compensation

Share-based compensation expenses of \$5,744 decreased by \$1,417 for the year ended December 31, 2020 compared to \$7,161 for the same period last year mainly due to lower share vesting expenses activity for shares and options issued for professional services rendered and employee compensation.

Selling and marketing expenses

Selling and marketing expenses of \$13,855 increased by \$1,690 for the year ended December 31, 2020 compared to \$12,165 for the same period last year, primarily reflecting the increased number of Florida dispensaries in operation versus the same period last year.

Selling and marketing expenses as a percentage of revenue was 26.4% for the year ended December 31, 2020 versus 42.7% for the same period last year.

Discontinued operations

During the year ended December 31, 2019, the Company discontinued its operations from Consortium Colombia S.A.S, and Consortium Puerto Rico LLC, as well as those for 1931074 Ontario, Inc, Consortium Canada Servicing Inc., Consortium Property Holdings Inc., and Arcadia EcoEnergies, Ltd. (collectively, the "Canadian Subsidiaries").

During the year ended December 31, 2020, the Company recorded a net gain of \$115 from discontinued operations, primarily driven by the return to treasury of 4,124,166 shares of Consortium Inc. and reduction of the Company's ownership of Consortium Colombia to 50%.

Other expense (income)

Other expense (income) for the years ended December 31, 2020 and 2019 were as follows:

	Years ended		
	December 31, 2020	December 31, 2019	Variance
Interest expense, net	\$ 13,760	\$ 14,811	\$ (1,051)
Change in fair market value of derivative	(1,065)	(328)	(737)
Change in derivative for equity price guarantee	(1,188)	-	(1,188)
Loss on debt restructuring	8,065	-	8,065
Expected credit loss on note receivable	1,286	-	1,286
Loss on investment in associate	153	353	(200)
Loss on disposal of assets	964	2,909	(1,945)
Other expense	9	462	(453)
Total other expense	\$ 21,984	\$ 18,207	\$ 3,777

Total other expense during the year ended December 31, 2020 was \$21,984, consisting primarily of interest expense of \$13,760, loss on debt restructuring of \$8,065 associated with the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing, expected credit loss on note receivable of \$1,286, loss on disposal of assets of \$964, loss on investment in associate of \$153 and other expense of \$9, partially offset by change in fair market value of derivative liabilities of \$1,065 and change in derivative for equity price guarantee of \$1,188.

Total other expense for the year ended December 31, 2019 included interest expense of \$14,811, loss on disposal of assets of \$2,909 and other expense of \$462, partially offset by change in fair market value of derivative liabilities of (\$328).

Other expense (income) (continued)

Interest expense of \$13,760 for the year ended December 31, 2020 was primarily comprised of interest expense of \$4,088 and accretion expenses of \$7,344 associated with the issuance of convertible notes payable and promissory note versus \$9,786 for the same period last year, primarily comprised of interest expense of \$4,316 and accretion expenses of \$4,496.

On January 16, 2020, the Company completed the restructuring of its existing promissory note issued in connection with the acquisition of Fluent Servicing to eliminate the principal amortization until the new extended maturity date of December 1, 2022 and to defer payment of cash interest until April 1, 2020, in exchange for reducing the price floor per share associated with the 4,400,000 common shares originally issued from \$2.75 to \$0.65 and agreeing to transfer to the seller an additional 14,215,385 common shares that were returned by the Company's founders, subject to a price floor of \$0.65 per share. As a result, the Company recorded a loss of debt restructuring of \$8,065.

During the year ended December 31, 2020, the Company recognized a \$1,065 gain in fair value on revaluation of the derivative liability associated with equity price guarantee instruments from the Fluent Servicing acquisition and revaluation of the derivative liability associated with the Green Standard acquisition equity price guarantee instrument, versus a gain of \$328 for the same period last year.

Loss on disposal of assets for the year ended December 31, 2020 was \$964, primarily due to the write-off of leasehold improvements from a Florida dispensary location and Winter Garden cultivation and manufacturing facility. Loss on disposal of assets of \$2,909 for the year ended December 31, 2019 was driven by closure of the Puerto Rico cultivation facility and exit of the Polk City cultivation facility in Florida.

Loss on investment in associate for the year ended December 31, 2020 was \$153 versus \$353 for the same period last year.

Other expense for the year ended December 31, 2020 was \$9 versus other expense of \$462 for the same period last year.

EBITDA

EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA from net income (loss), plus (minus) interest expense (income), plus taxes, plus depreciation and amortization, as follows:

	Years ended		
	December 30, 2020	December 30, 2019	Variance
Net loss	\$ (36,619)	\$ (65,645)	\$ 29,026
Interest expense	13,760	14,811	(1,051)
Income taxes	6,336	4,164	2,172
Depreciation and amortization	8,285	10,984	(2,699)
EBITDA	\$ (8,238)	\$ (35,686)	\$ 27,448

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from EBITDA plus (minus) unrealized loss (gain) on embedded derivatives, plus (minus) certain one-time non-operating expenses, as determined by management. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	Years ended		
	December 30, 2020	December 30, 2019	Variance
EBITDA	\$ (8,238)	\$ (35,686)	\$ 27,448
Change in fair market value of derivative	(1,065)	(328)	(737)
Change in derivative for equity price guarantee	(1,188)	-	(1,188)
Loss on debt restructuring	8,065	-	8,065
Share-based compensation	5,744	7,161	(1,417)
Inventory reserve	3,205	-	3,205
Change in fair value of biological assets	1,482	(141)	1,623
Discontinued operations	(115)	12,415	(12,530)
Other non-recurring expense ⁽¹⁾	2,403	9,643	(7,240)
Adjusted EBITDA	\$ 10,293	\$ (6,936)	\$ 17,228

(1) Other non-recurring expense for the year ended December 31, 2019 was primarily driven by non-recurring initial public offering expenses of \$6,405 and loss on disposal of assets of \$2,205.

HISTORICAL QUARTERLY RESULTS

The following table sets out certain financial information for each of the eight fiscal quarters up to and including the third quarter of 2020. The information has been derived from the Company's consolidated financial statements, which, in management's opinion, have been prepared on a basis consistent with the condensed interim consolidated financial statements for the years ended December 31, 2020 and 2019.

Quarter ended (\$ in 000's)	Dec-31 2020	Sep-30 2020	Jun-30 2020	Mar-31 2020	Dec-31 2019	Sep-30 2019	Jun-30 2019	Mar-31 2019
Revenue	\$ 14,671	\$ 14,313	\$ 13,241	\$ 10,163	\$ 9,505	\$ 7,387	\$ 6,091	\$ 5,528
Gross profit before fair value adjustment	\$ 6,651	\$ 9,529	\$ 8,674	\$ 6,503	\$ 5,731	\$ 4,665	\$ 4,551	\$ 2,968
Gross profit	\$ (210)	\$ 7,741	\$ 11,293	\$ 11,051	\$ 9,382	\$ 2,433	\$ 3,290	\$ 2,951
Income (loss) from operations	\$ (9,700)	\$ (1,931)	\$ 814	\$ 2,403	\$ (5,795)	\$ (8,084)	\$ (8,070)	\$ (8,910)

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, the Company had \$3,392 in cash and cash equivalents. The major components of the Company's statements of cash flows for the years ended December 31, 2020 and 2019 are as follows:

	Years ended		
	December 31, 2020	December 31, 2019	Variance
Cash and cash equivalents provided by (used in) operating activities	\$ 8,088	\$ (22,680)	\$ 30,768
Cash and cash equivalents used in investing activities	(5,867)	(18,033)	12,166
Cash and cash equivalents (used in) provided by financing activities	(1,529)	41,284	(42,813)
Effect of foreign exchange on cash and cash equivalents	184	(75)	259
Net change in cash and cash equivalents	\$ 876	\$ 496	\$ 380

Operating activities

Cash flow provided by operating activities for the year ended December 31, 2020 was \$8,088 compared to cash flow used in operating activities of \$22,680 for the same period last year, reflecting the Company's increased revenues and lower operational expenses versus the same period last year.

Investing activities

Cash flow used in investing activities for the year ended December 31, 2020 was \$5,867, compared to \$18,033 for the same period last year. The decrease of \$12,166 in cash used in investing activities was mainly driven by lower purchases of property and equipment of \$8,652 versus the same period last year.

Financing activities

Cash flow used financing activities for the year ended December 31, 2020 was \$1,529 compared to cash flow provided by financing activities of \$41,284 for the same period last year. The decrease of \$42,417 in cash provided by financing activities was primarily driven by net proceeds of \$4,351 from issuance of notes payables during the first quarter of 2020 partially offset by payment of lease obligations of \$3,207 versus total net proceeds of \$97,184 associated with the Company's initial public offering and listing on the Canadian Securities Exchange on March 22, 2019 and issuance of notes payables during 2019, partially offset by repayments of notes payable in the amount of \$46,353 mainly related to the acquisition of the remaining interest of Fluent Servicing in October 2018 and payment of lease obligations for the same period last year.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company leases certain business facilities from third parties under lease agreements that specify minimum rentals. The leases expire through 2032 and contain certain renewal provisions. Future minimum lease payments under non-cancelable leases having an initial or remaining term of more than one year are as follows:

For the twelve months period ending December 31,	Scheduled payments
2021	\$ 4,288
2022	4,474
2023	4,572
2024	4,519
2025	4,179
Thereafter	12,401
Total future minimum lease payments	\$ 34,433

SUMMARY OF OUTSTANDING SHARE DATA

The share capital of the Company is comprised of 113,803,920 common shares, 7,411,183 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 40,361,452 warrants and convertible debt allotments and 11,623,649 stock options as of December 31, 2020.

Earnings per share have been calculated using the weighted average number of shares outstanding during a period on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt, and stock options into common shares have a dilutive effect on earnings per share. The weighted average number of basic and diluted shares are presented in the table below:

	December 31, 2020	December 31, 2019
Weighted average number of shares - basic	198,999,746	185,593,303
Weighted average warrants	33,586,992	24,339,927
Weighted average convertible debt allotment	17,933,011	12,355,276
Weighted average options	11,623,649	1,181,924
Weighted average number of shares - diluted	262,143,398	223,470,430

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the years ended December 31, 2020 and 2019 key management personnel compensation consisted of the following:

	For the three months ended December 31,		For the years ended December 31,	
	2020	2019	2020	2019
Salary	\$ 304	\$ -	\$ 917	\$ 1,761
Option-based compensation	289	1,190	975	1,929
All other compensation	190	242	740	484
Total	\$ 783	\$ 1,432	\$ 2,632	\$ 4,174

On February 1, 2020, Neal Hochberg and John McKimm, Directors the Company, participated on the non-brokered private placement offering contributing with \$100 and \$43 in satisfaction of a portion of accrued directors' fees, respectively.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical judgments, estimates and assumptions that have the most significant effect on the amounts recognized on the condensed interim consolidated financial statements for the years December 31, 2020 and 2019 have been set out in Note 2 of the audited annual consolidated financial statements for the years ended December 31, 2019 and 2018.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, note receivable, accounts payables and accrued liabilities, derivative liability, lease obligations and notes payable. See note 20 "Financial instruments and financial risk management" to the condensed interim consolidated financial statements for the years ended December 31, 2020 and 2019 for the assessment of related risks.

UNITED STATES REGULATORY ENVIRONMENT

Federal Regulatory Environment

In accordance with the Canadian Securities Administrators (“CSA”) Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”) dated February 8, 2018, and Staff Notice 51-357 – *Staff Review of Reporting Issuers in the Cannabis Industry* dated October 10, 2018 below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved through its subsidiaries, in the cannabis industry. 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.

On January 4, 2018, former U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice (“DOJ”) federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the memorandum authored in August 2013 by then Deputy Attorney General, James Cole (collectively the “**Cole Memorandum**”). The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of the Cole Memorandum and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandum was never legally binding; however, the revocation removed the DOJ’s guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was succeeded by William Barr. The current Attorney General, Merrick Garland, was sworn in on March 11, 2021. To date, Mr. Garland has not provided a clear policy directive for the United States as it pertains to the enforcement of federal laws on state-legal marijuana-related activities.

As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company intends to abide by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licenses obtained (for example: in the states where cannabis is permitted for recreational adult use, the products are only sold to individuals who meet the requisite age requirements);
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures to ensure that revenue is not distributed to criminal enterprises, gangs or cartels;
- implement adequate inventory tracking systems and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and to prevent impaired driving.

In addition, the Company conducts background checks to ensure that certain individuals working at its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company also conducts ongoing reviews of its cannabis business activities, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises.

As of December 31, 2020, 99% of the Company's assets were and continue to be exposed to U.S. marijuana related activities. By these measures 99% of the Company's assets and operations were related to U.S. marijuana related activities.

U.S. Legal Advice

The Company and its subsidiaries are in compliance with U.S. state laws and the related licensing frameworks. The Company and its subsidiaries use reasonable commercial efforts to confirm, through the advice of U.S. counsel in each state in which the Company operates, the monitoring and review of its business practices, and regular monitoring of changes to U.S. federal enforcement priorities, that its businesses are in compliance with applicable licensing requirements and regulatory frameworks. Other than as disclosed herein, the Company's U.S. based subsidiaries have not received non-compliance orders, citations or notices of violation that may have an impact on such entity's licenses, business activities and/or operations. The Company's U.S. based subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.

Compliance Program

The Company's Vice President of Legal and Compliance oversees, maintains, and implements the compliance program and personnel in conjunction with the Chief Legal Officer and Executive Vice President - Operations. The Vice President of Legal and Compliance and Chief Legal Officer serve as liaisons to the various state and local regulators at all times. It is the responsibility of the Vice President of Legal and Compliance to work with all operational department heads to ensure operations and employees strictly comply with applicable laws, regulations and licensing requirements to ensure that the operations do not endanger the health, safety, or welfare of the communities that the Company operates in. The Vice President of Legal and Compliance works closely with the operations and security directors to ensure that operations and all employees are following and complying with the Company's written standard operating procedures.

The Company has developed a uniform set of standard operating procedures that establish minimum standards and requirements for operations in each market, encompassing operational aspects such as cultivation, manufacturing, packaging of product, the handling of confidential or personal information and method by which an employee may dispense cannabis to an authorized individual. Upon the Company's entry into a new market, the Vice President of Legal and Compliance and Chief Legal Officer work with each department director to adapt these uniform policies into a unique set of operating procedures for each respective market. It is these respective market-specific procedures that are based upon the regulatory requirements unique to each such market.

Working with the operations, human resources, and security departments, the Vice President of Legal and Compliance oversees training for all employees, including on the following topics:

- compliance with applicable state and local laws
- safe cannabis use
- dispensing procedures
- cultivation and processing procedures
- security and safety policies and procedures
- inventory control
- point of sale and seed to sale tracking software
- quality control
- transportation procedures

The Company's compliance protocols emphasize quality assurance, as evidenced by its efforts to obtain GMP (or similar) certification in its facilities, security and inventory controls, as well as patient safety. These efforts ensure strict monitoring of cannabis and inventory in all phases of the process. Only authorized and properly trained employees are permitted to access any seed-to-sale system or dispense cannabis to an authorized individual.

The Company is in compliance with U.S. state law and the related licensing framework in each state in which it has active marijuana operations. The Company uses reasonable commercial efforts to ensure that its business is in compliance with

applicable licensing requirements and the regulatory frameworks enacted by these states, through the duties of the Vice President of Legal and Compliance and Chief Legal Officer, who monitor and review the Company's business practices and changes to U.S. Federal enforcement priorities.

The Vice President of Legal and Compliance and Chief Legal Officer monitor compliance notifications from various state regulators, and ensure timely response and corrective action if necessary. No notifications have been received other than as set out below. The Company maintains comprehensive recordkeeping and retention procedures for any action involving the products it cultivates, processes, and/or dispenses. In addition, the Company maintains accurate records of all activities it is licensed to conduct in each market and does so in compliance with applicable laws and regulations. Adherence to the Company's compliance protocols in each market is mandatory and ensures that all operations remain compliant with the regulation(s) set forth by the applicable regulatory bodies, as well as all requirements of licensure.

Each facility is monitored and supervised under a uniform set of policies and procedures that also requires daily, weekly, monthly and quarterly reporting on applicable activities that occur at each facility. These reports, completed by or under the supervision of the applicable facility manager include: germination, cloning, plant destruction, harvest details, extraction rates, product formulation details, logistics, transportation, delivery, sales and customer complaints. Each facility also utilizes a password protected, role-based, seed-to-sale inventory tracking and reporting software system. The Vice President of Legal and Compliance, Chief Legal Officer and Executive Vice President - Operations all have full administrative access to the seed-to-sale tracking and reporting software. The seed-to-sale software program gives the Vice President of Legal and Compliance real time access to the source data, which reports all daily activities of each subsidiary in order to conduct independent analysis and verification of the standard reports submitted by each subsidiary.

In addition to the standard reports submitted by each facility and the seed-to-sale software program access, the Vice President of Legal and Compliance and staff perform scheduled and unscheduled site visits and audits of each facility. The scheduled and unscheduled site visits and audits are performed at least quarterly and are used to verify source data on all reported subsidiary activities, debrief and interview key employees, and conduct an overall review of the operating conditions of all Company facilities.

State Regulatory Environment

Florida

Regulatory Framework

Florida regulates medical marijuana as set forth in the Florida Constitution, Florida Statutes, implementing regulations of the Florida Administrative Code, and other applicable laws. The Florida Department of Health, Office of Medical Marijuana Use ("OMMU") is responsible for oversight and implementation of medical marijuana laws in Florida.

Florida Statutes

Section 381.986, Florida Statutes, governs the cultivation, processing, dispensing, and ordering of marijuana for medical use in Florida by qualified Florida-licensed physicians for medical use by qualified patients. Under this law, "medical use" means "acquisition, possession, use, delivery, transfer, or administration of marijuana authorized by a physician certification." Legally permitted routes of administration include oil-based products, edibles, and smoking.

Only Florida-licensed physicians who undergo the required training can recommend marijuana for medical use in Florida. Qualified patients must be permanent Florida residents and must be diagnosed with one of the qualifying medical conditions set forth in Section 381.986(2), Florida Statutes.

Chapter 64-4, Florida Administrative Code

As required by Florida Statutes, OMMU implements regulations governing the use of medical marijuana in the state, including the licensing of businesses to cultivate, process, and dispense medical marijuana to qualified patients. These regulations are found in Chapter 64-4, Florida Administrative Code. OMMU also issued several temporary emergency rules via expedited rulemaking processes permitted under Florida law. These rules are found in Chapters 64ER-19, 64ER-20, and 64ER-21, Florida

Administrative Code, and OMMU is undergoing the process of permanently adopting these rules following noticed public hearings and comment periods.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

Licensing and Compliance in Florida

In Florida, OMMU administers and maintains the state's medical marijuana program pursuant to the Florida Constitution and Florida Statutes. Florida law currently requires each Medical Marijuana Treatment Center ("**MMTC**") to be vertically integrated, which means the MMTC must control all aspects of the operations from "seed to sale". Additionally, as a condition to becoming operational, each MMTC is statutorily required to comply with all disclosures made to obtain the license. All cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Each facility must also have armed security on site. MMTCs must track cannabis from "seed to sale," accounting for all disposed and dispensed cannabis and related materials in the process. All buildings and vehicles must have extensive security features, surveillance capabilities, and the ability to maintain records of all activities as well as video surveillance maintenance. Only qualified patients or registered caregivers can be dispensed cannabis pursuant to a qualified physician's active recommendation; all of which must be confirmed prior to dispensation. The MMTC must maintain approved waste management and sanitation policies and be certified by a nationally accredited certifying body as compliant with Good Manufacturing Practices at all of its processing facilities. All medical marijuana products must be approved by OMMU before they may be offered for dispensing to patients. Furthermore, as part of the application process, each MMTC must outline how it intends to maintain Health Insurance Portability and Accountability Act ("**HIPAA**") compliant guidelines. Because HIPAA is a federal law that does not apply to activities relating to the sale of cannabis, MMTCs must also comply with the privacy requirements of Section 381.987, Florida Statutes, which mandate that all patient information in the state's registry be kept confidential, with limited exceptions for law enforcement, government investigations, and pre-approved research activities. Additionally, all employees must pass state mandated criminal history background screenings.

To ensure compliance with state requirements, the Company has implemented a robust compliance program based on its standard operating procedures, which have been adapted to comply with the requirements of Florida law. Regular audits are conducted of all sales, deliveries and video surveillance to ensure dispensation are conducted appropriately to identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process to ensure appropriate chain of custody from initial plant to finished product being dispensed to the patient. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal history screening as a condition to hiring, but must pass a drug screening as well. The company also utilizes either cloud-based or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, OMMU makes regular announced or unannounced inspections of the facility, therefore ensuring compliance on a daily basis is a top priority.

Licenses

The Company, through its direct and indirect wholly-owned subsidiaries, is licensed to cultivate, process and sell medical cannabis and to own and operate individual dispensary locations as well as deliver product directly to customer's homes throughout the State of Florida.

In the State of Florida, the Department issues licenses to produce and sell medical cannabis i.e. the MMTC License (formerly a Dispensing Organization License) and as of December 31, 2020 has issued twenty-two (22) such licenses, of which the Company holds one (1).

The MMTC License held by the Company's Florida subsidiary was renewed for a two-year term on August 12, 2020.

Dispensary Requirements

MMTCs may dispense up to a 70-day supply of medical marijuana in non-smokable forms or up to a 35-day supply in smokable forms at any time. The MMTC employee responsible for dispensing has a unique employee ID number that is used in a mandated point of sale program utilized to track all interactions with patients and/or their caregivers. The MMTC employee must verify that: (i) the patient and/or caregiver (if applicable) must each have an approved registration in the State Registry as well as the proper identification card issued by the State of Florida; (ii) the quantity and type of cannabis being ordered must match the physician directed registry entry; and (iii) the physician directed amount has not already been dispensed at another dispensary of any MMTC. No patient under the age of 18 may receive dispensed product. For patients under 18 years of age, product may only be dispensed to a properly registered and identified caregiver of the patient. In every case, the MMTC must be able to provide a record of activity in the registry indicating: (i) the date, time, quantity and form of cannabis dispensed; (ii) the delivery device for the cannabis that was dispensed; and (iii) the name and identification number of the individual that received the dispensed product. At all times, the MMTC employee must ensure the privacy of information in regards to the patient records as required by Florida legislation and applicable privacy laws.

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities

Adequate outdoor lighting is required from dusk to dawn for all MMTC. 24-hour per day video surveillance is required and all MMTCs must maintain at least a rolling 45-day period that is made available to law enforcement upon demand. Alarm systems must be active at all items for all entry points and windows. Interior spaces must also have motion detectors and all cameras must give unobstructed view of key areas. Panic alarms must also be available for employees to be able to signal authorities when needed.

In dispensaries, the MMTC must provide a waiting area with a sufficient seating area. There must also be a minimum of one private consultation/education room for the privacy of the patient(s) and their caregiver (if applicable). The MMTC may only provide dispensing duties between 7:00 am and 9:00 pm. All active products must be kept in a secure location within the dispensary and only empty packaging may be kept in the general area of the dispensary. No product or delivery devices may be on display in the waiting area.

An MMTC must at all times provide secure and logged access for all cannabis materials. This includes approved vaults or locked rooms. There must be at least two employees of the MMTC or an approved security provider on site at all times. All employees must wear proper identification badges and visitors must be logged in and wear a visitor badge while on the premises. The MMTC has a 24-hour period in which it must report any suspected activity of loss, diversion, or theft of cannabis materials.

Transportation Requirements

When transporting cannabis to dispensaries or to patients for delivery, a manifest must be prepared, and transportation must be done using an approved vehicle. The cannabis must be stored in a separate, locked area of the vehicle and at all times there must be two people in a delivery vehicle. During deliveries, one person must remain with the vehicle. The delivery employees must at all times have identification badges. The manifest for all deliveries must be generated by the State approved tracking software. 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. These manifests must be kept by the MMTC for inspection for up to three (3) years. During the delivery, a copy of the manifest is also provided to the recipient.

Department Inspections

The Florida Department of Health conducts announced and unannounced inspections of MMTC's to determine compliance with the laws and regulations. The Department also must inspect an MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that may cause an adverse effect to humans or the environment. The Department conducts at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

Pennsylvania

Regulatory Framework

Pennsylvania legalized medical marijuana when it adopted the Pennsylvania Medical Marijuana Act in 2016. It is found in Chapters 1131 through 1210 of the Pennsylvania Code. Most of the regulation of Pennsylvania's medical marijuana program to date has occurred under this law and through temporary regulations, all of which are summarized below under the heading "Pennsylvania Medical Marijuana Act."

Pennsylvania Medical Marijuana Act

Under the Pennsylvania Medical Marijuana Act, the term "medical marijuana" refers to marijuana obtained for a certified medical use by a Pennsylvania resident with a serious medical condition. A serious medical condition includes 17 different conditions including cancer, HIV-positive status, AIDS, several neurological conditions and issues, and severe intractable pain.

Under the Pennsylvania Medical Marijuana Act, patients who are residents of the commonwealth and have a serious medical condition as certified by a physician will be able to obtain medical marijuana at dispensaries that are located in the commonwealth and have a validly-issued permit from the Pennsylvania Department of Health. A "caregiver" who is designated by the patient and is registered with the Pennsylvania Department of Health will be able to obtain medical marijuana from a dispensary located in the commonwealth that has a validly- issued permit from the Pennsylvania Department of Health in order for the caregiver to deliver medical marijuana to the patient. The Pennsylvania Medical Marijuana Act provides for issuance of permits to grower/processors, dispensaries, and clinical registrants.

A dispensary may only dispense medical marijuana to a patient or caregiver in an indoor, enclosed, secure facility as approved by the Pennsylvania Department of Health. The dispensary must have an approved operation plan that includes appropriate safety, security, surveillance, inventory tracking, record keeping, and maintenance measures. It may only dispense medical marijuana to a patient or caregiver who presents a valid identification card to an employee at the facility who is authorized to dispense medical marijuana at the facility. The dispensary must employ and have on-site at all times the facility is open for dispensing a physician, pharmacist, physician assistant or certified registered nurse practitioner who has undergone required medical marijuana training. This medical professional may consult with patients regarding proper dosage and administration of medical marijuana for their condition if the referring physician has not done so. The entire transaction must be tracked in the commonwealth's seed-to-sale electronic tracking system.

Recent case law and U.S. Attorney Statements

David J. Freed, appointed to serve as U.S. Attorney for the Middle District of Pennsylvania on November 15, 2017, has previously stated, "I don't need a study to tell me marijuana is a gateway drug. We in law enforcement have to clean up the mess." He has also previously stated that he believes the law should not change.¹ Scott W. Brady, appointed to serve as U.S. Attorney for the Western District of Pennsylvania on December 14, 2017, has also indicated that his office would vigorously enforce federal law.

Licensing and Compliance in Pennsylvania

In Pennsylvania, the Department of Health administers and maintains the state's medical marijuana program pursuant to Pennsylvania laws and regulations. Pennsylvania awards permits separately for the growing and processing of medical marijuana, as well as for the dispensing of medical marijuana. As a dispensary permit holder, Pennsylvania law requires the use of state-mandated point of sale and product tracking software to log and record all inventory and sales activities, as well as all patient interactions. All marijuana must be stored with adequate security requirements to prevent diversion. Each facility must also have security measures to prevent unauthorized access and video surveillance; as well as the ability to maintain records of all activities. Only qualified patients or registered caregivers can be dispensed cannabis pursuant to a qualified physician's active recommendation; all of which must be confirmed prior to dispensation. Each dispensary must also employ a licensed pharmacist, doctor or registered nurse practitioner. Additionally, all employees must pass state mandated criminal history background screenings.

The Company's subsidiary in Pennsylvania, Consortium Pennsylvania, LLC ("**Consortium Pennsylvania**"), currently holds and operates the dispensary permit in the Commonwealth of Pennsylvania. To ensure compliance with state requirements, Consortium Pennsylvania has implemented a robust compliance program based on its standard operating procedures. which

¹ http://www.pennlive.com/midstate/index.ssf/2012/11/marijuana_legalization_in_penn.html

have been adapted to comply with the requirements of Pennsylvania law. Regular audits are conducted of all sales, deliveries, and video surveillance to ensure dispensation are conducted appropriately and identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process and are inspected upon receipt from any grower/processor facility. This ensures appropriate chain of custody of finished product being dispensed to the patient and that defective products are returned back to grower/processors and not placed into inventory. Additionally, all visitor request forms must be approved for all non-employee guests visiting any facility, and such guests must be logged upon entry and wear a visitor ID badge at all times. All deliveries must be scheduled in advance and received at the dispensary within an enclosed area outside of the public view or access. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal history screening as a condition to hiring but must pass a drug screening as well. The company also utilizes either cloud-based or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, the state has the capability to make announced or unannounced inspections of any facility, therefore ensuring compliance on a daily basis is a top priority.

Permits

Cansortium Pennsylvania, LLC received its original dispensary permit on June 29, 2017 and was valid for one year. The permit has been renewed each year since, and the current permit is valid through June 29, 2021. A renewal application is pending for 2021-2022. The permit allows the holder to operate up to three (3) dispensaries in the Southcentral Region of Pennsylvania (i.e. Adams, Bedford, Blair, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lebanon, Mifflin, Perry and York counties).

Dispensary Requirements

A dispensary may only dispense medical marijuana products to a patient or caregiver who presents a valid identification card to an employee at the facility who is authorized to dispense medical marijuana products at the facility. Prior to dispensing medical marijuana products to a patient or caregiver, the dispensary shall: (1) Verify the validity of the patient or caregiver identification card using the electronic tracking system; and (2) Review the information on the patient's most recent certification by using the electronic tracking system to access the Pennsylvania Department of Health's database. The following requirements apply: (i) if a practitioner sets forth recommendations, requirements or limitations as to the form and/or dosage of a medical marijuana product on the patient certification, the medical marijuana product dispensed to a patient or caregiver by a dispensary must conform to those recommendations, requirements or limitations; (ii) if a practitioner does not set forth recommendations, requirements or limitations as to the form or dosage of a medical marijuana product on the patient certification, the physician, pharmacist, physician assistant or certified registered nurse practitioner employed by the dispensary and working at the facility shall consult with the patient or the caregiver regarding the appropriate form and dosage of the medical marijuana product to be dispensed; and (iii) the dispensary shall update the patient certification in the electronic tracking system by entering any recommendation as to the form or dosage of medical marijuana product that is dispensed to the patient. Prior to the completion of the transaction, the employee conducting the transaction at the dispensary shall prepare a receipt of the transaction and file the receipt information with the Pennsylvania Department of Health utilizing the electronic tracking system. A dispensary shall provide a copy of the receipt to the patient or the caregiver, unless the patient or the caregiver declines the receipt. The receipt must include all of the following information: (1) the name, address and any permit number assigned to the dispensary by the Pennsylvania Department of Health; (2) the name and address of the patient and, if applicable, the patient's caregiver. (3) the date the medical marijuana product was dispensed; (4) any requirement or limitation noted by the practitioner on the patient's certification as to the form of medical marijuana product that the patient should use; and (5) the form and the quantity of medical marijuana product dispensed.

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities

Pennsylvania dispensaries must have security and surveillance systems, utilizing commercial-grade equipment, to prevent unauthorized entry and to prevent and detect an adverse loss. The security and surveillance systems must include all of the following:

(1) A professionally-monitored security alarm system that includes the following: (i) coverage of all facility entrances and exits; rooms with exterior windows, exterior walls, roof hatches or skylights; storage rooms, including those that contain medical marijuana and safes; and the perimeter of the facility; (ii) a silent security alarm system signal, known as a duress alarm,

generated by the entry of a designated code into an arming station in order to signal that the alarm user is being forced to turn off the system; (iii) an audible security alarm system signal, known as a panic alarm, generated by the manual activation of a device intended to signal a life-threatening or emergency situation requiring law enforcement response; (iv) a silent alarm signal, known as a holdup alarm, generated by the manual activation of a device intended to signal a robbery in progress; (v) an electrical, electronic, mechanical or other device capable of being programmed to send a pre-recorded voice message requesting dispatch, when activated, over a telephone line, radio or other communication system to a law enforcement, public safety or emergency services agency; (vi) a failure notification system that provides an audible, text or visual notification of any failure in the systems. The failure notification system must provide by telephone, e-mail or text message an alert to a designated security person within the facility within 5 minutes after the failure; (vii) smoke and fire alarms; (viii) auxiliary power sufficient to maintain security and surveillance systems for at least 48 hours following a power outage; (ix) ability to ensure all access doors are not solely controlled by an electronic access panel to prevent locks from becoming released during a power outage; and (x) motion detectors.

(2) A professionally monitored security and surveillance system that is operational 24 hours per day, 7 days per week and records all activity in images capable of clearly revealing facial detail. The security and surveillance system must include all of the following: (i) fixed camera placement that allows for a clear image of all individuals and activities in and around the following: (A) any area of a facility where medical marijuana products are loaded or unloaded into or from transport vehicles; (B) entrances to and exits from a facility. Entrances and exits must be recorded from both indoor and outdoor vantage points; (C) rooms with exterior windows, exterior walls, roof hatches or skylights and storage rooms, including those that may contain medical marijuana products and safes; (D) five feet from the exterior of the perimeter of a facility; (E) all limited access areas; (ii) auxiliary power sufficient to maintain security and surveillance systems for at least 48 hours following a power outage; (iii) the ability to operate under the normal lighting conditions of each area under surveillance; and (iv) the ability to immediately produce a clear, color, still photograph in a digital format that meets the requirements of this subsection.

(3) The ability to display the date and time clearly and accurately. The date and time must be synchronized and set correctly and may not significantly obscure the picture.

(4) The ability to record and store all images captured by each surveillance camera for a minimum of two (2) years in a format that may be easily accessed for investigative purposes. The recordings must be kept: (i) at the facility: (A) in a locked cabinet, closet or other secure place to protect it from tampering or theft; (B) in a limited access area or other room to which access is limited to authorized individuals; and (ii) at a secure location other than the location of the facility if approved by the Pennsylvania Department of Health.

(5) A security alarm system that is separate from the facility's primary security system covering the limited access area or other room where the recordings are stored. The separate security alarm system must meet the same requirements as the facility's primary security alarm system. The following apply regarding the inspection, servicing or alteration of, and the upgrade to, the dispensary facility's security and surveillance systems: (i) the systems shall be inspected and all devices tested once every year by a qualified alarm system vendor and a qualified surveillance system vendor, as approved by the Pennsylvania Department of Health; (ii) the dispensary shall conduct maintenance inspections once every month to ensure that any repairs, alterations or upgrades to the security and surveillance systems are made for the proper operation of the systems; (iii) the dispensary shall retain at the facility, for at least four (4) years, records of all inspections, servicing, alterations and upgrades performed on the systems and shall make the records available to the Pennsylvania Department of Health and its authorized agents within two (2) business days following a request; (iv) in the event of a mechanical malfunction of the security or surveillance system that the dispensary anticipates will exceed a 4-hour period, the dispensary shall notify the Pennsylvania Department of Health immediately and, with Pennsylvania Department of Health approval, provide alternative security measures that may include closure of the facility; and (v) The dispensary shall designate an employee to continuously monitor the security and surveillance systems at the facility.

(6) Records retention: (i) if a dispensary has been notified in writing by the Pennsylvania Department of Health or its authorized agents, law enforcement, or other Federal, State or local government officials of a pending criminal or administrative investigation for which a recording may contain relevant information, the dispensary shall retain an unaltered copy of the recording for four (4) years or until the investigation or proceeding is closed or the entity conducting the investigation or proceeding notifies the dispensary that it is not necessary to retain the recording, whichever is longer; (ii) a dispensary shall install commercial-grade, non-residential steel doors and door locks on each room where medical marijuana products are stored and on each external door of the facility. Keys or key codes for all doors shall remain in the possession of designated authorized individuals; (iii) during all nonworking hours, all entrances to and exits from the facility must be securely locked; (iv) a dispensary

shall have an electronic back-up system for all electronic records; (v) a dispensary shall install lighting to ensure proper surveillance inside and outside of the facility; and (vi) a dispensary shall limit access to a room in a facility containing security and surveillance monitoring equipment to persons who are essential to maintaining security and surveillance operations including, Federal, State and local law enforcement, security and surveillance system service employees, the Pennsylvania Department of Health or its authorized agents, and other persons with the prior written approval of the Pennsylvania Department of Health. The following requirements apply: (1) a dispensary shall make available to the Pennsylvania Department of Health or the Pennsylvania Department of Health's authorized agents, upon request, a current list of authorized employees and service employees or contractors who have access to any security and surveillance areas; and (2) a dispensary facility shall keep security and surveillance rooms locked at all times and may not use these rooms for any other purpose or function.

Storage Requirements

A dispensary shall have separate and locked limited access areas for storage of medical marijuana products that are expired, damaged, deteriorated, mislabeled, contaminated, recalled, or whose containers or packaging have been opened or breached until the medical marijuana products are returned to a grower/processor, destroyed or otherwise disposed of as required under § 1151.40 (relating to management and disposal of medical marijuana waste). A dispensary shall maintain all storage areas in a clean and orderly condition and free from infestation by insects, rodents, birds and pests.

Pennsylvania Department of Health Inspections

The Pennsylvania Department of Health may conduct announced or unannounced inspections or investigations to determine the medical marijuana organization's compliance with its permit. An investigation or inspection may include an inspection of a medical marijuana organization's site, facility, vehicles, books, records, papers, documents, data, and other physical or electronic information.

Texas

Regulatory Framework

Texas initially limited the scope of authorization of cannabis for medical purposes to the cultivation, processing, and dispensing of low-THC cannabis prescribed to epilepsy patients.

In May 2019, the Texas legislature passed a bill that significantly expanded the Texas Compassionate Use Act. It was subsequently signed into law by the Governor. The May 2019 law increased legal access to medical cannabis products containing up to 0.5 percent THC for patients coping with a broader list of chronic medical conditions and diseases including epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis, autism and terminal cancer.

Compassionate Use Act

The Texas Legislature enacted the Texas Compassionate Use Act, found in Chapter 169 of the Texas Occupations Code and Chapter 487 of the Texas Health and Safety Code, in 2015. The Texas Compassionate Use Act directs the Texas Department of Public Safety ("**DPS**") to create a secure registry of Texas-licensed physicians who are authorized to treat qualifying conditions by prescribing low-THC cannabis to qualified, registered patients who have been diagnosed with epilepsy, a seizure disorder, multiple sclerosis, spasticity, amyotrophic lateral sclerosis (ALS), autism, terminal cancer, or an incurable neurodegenerative disease. In addition, the bill required DPS to license at least three dispensing organizations by September 1, 2017, should they meet the requirements. The license authorizes the organizations to cultivate, process and dispense low-THC cannabis to prescribed patients.

The act defines low-THC cannabis as:

the plant *Cannabis Sativa L.*, and any part of that plant or any compound, manufacture, salt, derivative, mixture, preparation, resin, or oil of that plant that contains:

- (A) not more than 0.5 percent by weight of tetrahydrocannabinols; and
- (B) not less than 10 percent by weight of cannabidiol.

Under the act, medical use of low-THC cannabis means “ingestion by a means of administration other than by smoking of a prescribed amount of low-THC cannabis by a person for whom low-THC cannabis is prescribed.”

Administrative Rules

DPS adopted the rules implementing the Texas Compassionate Use Act in 2017. These rules, the Compassionate Use/Low-THC Cannabis Program Administrative Rules, are found in 37 Texas Administrative Code 1, Chapter 12. They specify licensing requirements and standards that licensees must satisfy for a variety of subjects, including building design and construction, records, testing, production (including limitations on the use of pesticides and other products that could harm patient health), packaging, labeling, restrictions on eligible persons who can receive low-THC cannabis, criminal history disqualifiers for licensees and their employees, sanitation, and waste disposal.

All low-THC cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Licensees must track low-THC cannabis from “seed to sale,” accounting for all disposed and dispensed low-THC cannabis and related materials in the process. All licensee buildings and vehicles must have extensive security features, surveillance capabilities, and the ability to maintain records of all activities. All licensees must confirm that patients are properly registered and that prescriptions for low-THC cannabis were properly submitted before completing a sale.

Production is limited under the rules; DPS will only issue sufficient licenses to provide the epileptic population of Texas with the most current scientifically accepted dosage. The amount of production permitted is recalculated every year as provided in the rules. As of December 31, 2019, DPS has issued three (3) dispensing organization licenses: The Company’s subsidiary in Texas was licensed on September 1, 2017 and holds one (1) of the three (3) issued licenses.

U.S. Attorney Statements

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Texas.

Licensing and Compliance in Texas

In Texas the Department of Public Safety administers the state’s compassionate use program. State law currently requires each license holder to be vertically integrated, which requires the license holder to control all aspects of the operations from “seed to sale”. State law requires strict limits on THC content which subsequently requires regular testing and maintenance of records. All low-THC cannabis must be grown in an enclosed, secure building, or an enclosure within a building with adequate security requirements to prevent diversion. Licensees must track low-THC cannabis from “seed to sale,” accounting for all disposed and dispensed low-THC cannabis and related materials in the process. All licensee buildings and vehicles must have extensive security features, surveillance capabilities, and the ability to maintain records of all activities as well as video surveillance maintenance. Each facility must also maintain armed security on site. All licensees must confirm that patients are properly registered and that prescriptions for low-THC cannabis were properly submitted before completing a sale. Department of Public Safety also maintains production and dosage limitations which are re-evaluated annually to comport with the needs of the applicable patient population. Additionally, all employees must pass state mandated criminal history background screenings.

The Company’s subsidiary in Texas currently holds and operates a Dispensing Organization license in Texas. To ensure compliance with state requirements, the Company has implemented a robust compliance program based on its standard operating procedures which have been adapted to comply with the requirements of Texas law. Regular audits are conducted of all sales, deliveries and video surveillance to ensure dispensation are conducted appropriately and identify and/or prevent diversion activities. All departments conduct regular staff meetings to discuss and identify updated needs or issues to address. Products are scanned and tracked throughout the entire process to ensure appropriate chain of custody from initial plant to finished product being dispensed to the patient. This ensures that in the event of a recall event, the company has the capability of identifying the suspect products back to the original batch from the greenhouse. Additionally, a visitor request form must be approved for all non-employee guests visiting any facility, and such guests must be logged upon entry and wear a visitor ID badge at all times. All deliveries to patients or dispensaries are conducted in unmarked, nondescript vehicles which maintain interior and exterior security and surveillance features, as well as global positioning system tracking capabilities. Patients and caregivers, furthermore, must have their identification confirmed in the statewide secure database, and they must have an active recommendation from a physician to be dispensed medication. All employees must not only pass the state required criminal

history screening as a condition to hiring but must pass a drug screening as well. The company also utilizes either cloud-based or internal secure servers for the storage of information, both of which follow HIPAA guidelines. Lastly, the state has the capability to make announced or unannounced inspections of any facility, therefore ensuring compliance on a daily basis is a top priority.

Licenses

The Company's subsidiary in Texas obtained a Dispensing Organization License from the Department of Public Safety on September 1, 2017. This license allows the Company's subsidiary in Texas to cultivate and produce cannabis as well as operate a dispensary at the cultivation site. The license also allows for home delivery of the product. The license was renewed on September 1, 2019 and expires on September 1, 2021. The Company's subsidiary in Texas holds one (1) of the three (3) licenses issued by the Department of Public Safety in Texas (as of March 31, 2021).

Dispensary Requirements

The State of Texas allows each Dispensing Organization to operate one retail dispensary located where they cultivate and manufacture low-THC medical cannabis. As we do not operate a dispensary currently, all dispensations are through our home delivery program. Prior to making a home delivery, Dispensing Organizations must verify a patient has an active order in Texas' Compassionate Use Registry of Texas (CURT) System.

Security and Storage Requirements for Cultivation, Processing and Dispensing Facilities

The cultivation and processing facility has a security guard present 24 hours a day, 7 days per week who monitors the security cameras and provides access to the main gate and signs in all visitors. The facility has a security fence around the perimeter of the property and a second fence around the immediate cultivation and production campus. There is a video surveillance system that has 360-degree views of the interior and exterior of the facility including the fence perimeter. All cannabis products are stored in a secured storage room with limited access and video surveillance. The cannabis product is stored in a secured vault and cash is stored in a separate cash vault in the secured storage room. Security records are maintained including building access, visitor logs, video recordings, and transportation trip plans.

Staff may not allow access to the facility's cultivation, processing, and/or product storage areas by unauthorized individuals or to the public unless they are escorted at all times. All cultivation of low-THC cannabis shall take place in an enclosed, secured building, or an enclosure within a building that provides reasonably adequate protection against the diversion of low-THC cannabis or raw materials used in or by-products created by the production or cultivation of low-THC cannabis. Staff must limit access to each area to the minimum number of individuals or employees necessary for the licensee's activities, designate an individual or a limited number of individuals with responsibility for each area where a controlled item is cultivated, processed, dispensed, produced, or stored, and control entry into the area for authorized personnel only. Access to the enclosed, locked area is limited to a licensee, director, manager or registered employee when acting in his or her official capacity.

The facility has an alarm system capable of continuously monitoring the regulated premises for fire and intrusion by means of camera recording, door switches, motion sensors, and fire and smoke detectors. The camera monitoring system is capable of recording at least 90 days of footage to an external hard drive. All cameras have a battery back-up.

Transportation Requirements

Any vehicle used by a dispensing organization for the transportation of low-THC cannabis must have a vehicle security system and a securely attached and locked container within the vehicle. It is the responsibility of the licensee to ensure that only authorized registered employees have access to the locked secure container within the vehicle. Prior to transportation of any product, a licensee shall complete a trip plan that includes: (1) the name of the registrant responsible for the transportation; (2) the date and start time of the trip; (3) the anticipated route of transportation and destination; and (4) a detailed invoice or log of the specific type of product and amount to be transported. Promptly following transportation, the licensee shall enter the end time of the trip and any changes to the trip plan, including any changes to the amount of product delivered to the location.

Department Inspections

The Department of Public Safety performs weekly inspections of the facility. All requested records are given onsite or electronically as requested.

On January 17, 2019, the Company's subsidiary in Texas received a notice of violation from the Texas Department of Public Safety Regulatory Services Division for failure to adequately respond to the Department's requests for records on inventory and testing at its cultivation facility, in violation of Texas law. On February 1, 2019, the Department issued a violation remediation letter confirming that the matter had been resolved to its satisfaction and that no further action would be taken.

Risks Specifically Related to the United States Regulatory System

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's business incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

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 control of the Company 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 uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company's subsidiaries are expected to continue to derive a portion of their revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's and its applicable subsidiaries' business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. Currently, the Company and its subsidiaries are directly engaged in the manufacture and possession of cannabis in the medical cannabis marketplace in the United States.

Over half of the states in the United States have enacted comprehensive legislation to regulate the sale and use of medical cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the *United States Controlled Substances Act* of 1970. As such, cannabis-related practices, or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules 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, which would adversely affect the current and future operations and investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future operations and investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in the United States and Canada.

On February 8, 2018, following discussions with the CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of a stock exchange.

The operations of the Company and its subsidiaries are, and will continue to be, subject to evolving regulation by governmental authorities. The Company's and its subsidiaries' operations are directly in the medical cannabis industry in the United States, where local state law permits such activities. The legality of the production, extraction, distribution and use of cannabis differs among North American jurisdictions.

The Company's and its subsidiaries' operations have been focused in states that have legalized the medical use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. Some U.S. states have legalized recreational use of cannabis. However, the U.S. federal government has not enacted similar legislation for medical or recreational cannabis. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. 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 state laws are repealed or curtailed, the Company's businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business, and its investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the CSA published Staff Notice 51-352 setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-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. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

The Company's and its subsidiaries' current or future operations in the medical and recreational cannabis industry are likely illegal under the applicable federal laws of the United States. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company or its subsidiaries. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The concepts of “medical cannabis” and “retail cannabis” do not exist under United States federal law because the U.S. Controlled Substances Act classifies “marijuana” as a Schedule I drug. 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. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under United States federal law. Although the Company’s and its subsidiaries’ activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company and its subsidiaries of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company or any subsidiary. Any such proceedings brought against the Company may adversely affect the Company’s and its subsidiaries’ operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company and its subsidiaries, including their reputations and ability to conduct business, their holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of any publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Many factors could cause the Company’s actual results, performances, and achievements to differ materially from those expressed or implied by the forward-looking statements, including without limitation, the following factors:

- the activities of the Company and its subsidiaries are subject to evolving regulation that is subject to changes by governmental authorities in Canada, the U.S. and internationally and such authorities could impose restrictions on the Company’s and its subsidiaries’ ability to operate;
- third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company’s and its subsidiaries’ cannabis business activities;
- the Company’s ability to repatriate returns generated from operations and investments in the U.S. may be limited by anti-money laundering laws;
- under Section 280E of the Internal Revenue Code, certain normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, certain of the subsidiaries will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable, business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company and the subsidiaries will not be subject to Section 280E of the Internal Revenue Code in the future, and accordingly, there is no certainty that the impact that Section 280E of the Internal Revenue Code has on the Company’s margins will ever be reduced;
- federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company’s or any subsidiary’s accounts and risks associated with uninsured deposit accounts. There is no certainty that Company or any subsidiaries will be able to maintain its existing accounts or obtain new accounts in the future; and
- although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

The Company and its subsidiaries are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental

authorities in the United States, Canada and internationally. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the “**FinCEN Memorandum**”). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to and incorporates supplementary Cole Memorandum guidance issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the United States Controlled Substances Act on the same day.

Notwithstanding former Attorney General Sessions’ revocation of the Cole Memorandum, the status of the FinCEN Memorandum has not been affected, 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 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

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

U.S. Federal trademark protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Controlled Substances Act, the benefit of certain federal laws and protections that may be available to most businesses, such as federal trademark protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company’s intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property in the United States, whether on a federal, state, or local level.

Ability to Access Private and Public Capital

The Company has historically relied on access to private and public capital in order to support its continuing operations and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and is not legal pursuant to U.S. federal law, Canadian based issuers involved in the U.S. cannabis industry have been successful in completing public financings. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the United States Controlled Substances Act of 1970. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which are necessary for the Company’s operations. Such suspension or withdrawal by such third-party service providers may have a material adverse effect on the Company’s business.

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at the federal level in the United States, judges in multiple states have previously refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even where there was no violation of state law. It is not certain that the Company will be able to legally enforce contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, and such lack of a remedy could have a material adverse effect on the Company's business.

Admissibility to the U.S.

Admissibility into the United States for those individuals involved with cannabis remains uncertain since the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law.

U.S. Customs practices continue to evolve and U.S. Customs and Border Protection ("**CBP**") released a statement on October 11, 2018 (the "**CBP Statement**") confirming that CBP enforces the laws of the United States and U.S. laws have not changed following Canada's legalization of marijuana. Requirements for international travelers wishing to enter the United States are governed by and conducted in accordance with U.S. federal law, which supersedes state laws. Although medical and recreational marijuana may be legal in some U.S. States and Canada, the sale, possession, production and distribution of marijuana or the facilitation of the aforementioned remain illegal under U.S. federal law. Consequently, crossing the border or arriving at a U.S. port of entry in violation of this law may result in denied admission, seizure, fines, and apprehension.

The CBP Statement also stated that CBP officers are thoroughly trained on admissibility factors and the *Immigration and Nationality Act*, which broadly governs the admissibility of travelers into the United States. Determinations about admissibility and whether any regulatory or criminal enforcement is appropriate are made by a CBP officer based on the facts and circumstances known to the officer at the time. Generally, any arriving alien who is determined to be a drug abuser or addict, or who is convicted of, admits having committed, or admits committing, acts which constitute the essential elements of a violation of (or an attempt or conspiracy to violate) any law or regulation of a State, the United States, or a foreign country relating to a controlled substance, is inadmissible to the United States.

The CBP Statement then continued to state that a Canadian citizen working in or facilitating the proliferation of the legal marijuana industry in Canada, coming to the U.S. for reasons unrelated to the marijuana industry will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the marijuana industry, they may be deemed inadmissible.

The Company's and its subsidiaries' operations in the United States may be subject to heightened scrutiny.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational adult use cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 46 states, plus the District of Columbia, that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the United States and as such, may be in violation of federal law in the United States.

Since 2014, the United States Congress has passed appropriations bills which included provisions to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law (currently the "**Leahy Amendment**", but also referred to as the Rohrabacher-Farr Amendment).

The Leahy Amendment was set to expire with the 2018 fiscal year on December 31, 2018 (“**2018 Fiscal Year**”), however, Congress approved a nine-week continuing resolution from the 2018 Fiscal Year (the “**Continuing Resolution**”). The Continuing Resolution has the purpose of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 Fiscal Year appropriations since February 2018. The much relied upon appropriations protecting the medical cannabis industry were renewed in both the House and Senate versions of the 2019 Fiscal Year Appropriations bills, with the expectation that the language will be included in the final 2019 Fiscal Year Appropriations Bill. However, it should be noted that there is no assurance that the final 2019 Fiscal Year Appropriations Bill will include appropriations protecting the medical cannabis industry. Until Congress agrees on the 2019 Fiscal Year Appropriations Bill, Congress may pass additional continuing resolutions from the 2018 Fiscal Year, which resolutions would provide ongoing and consistent protection for the medical cannabis industry.

On December 22, 2018, Congress failed to pass the 2019 Fiscal Year Appropriations Bill, including the Leahy Amendment, causing a shutdown of the federal government. During a federal government shutdown, certain “nonessential” governmental programs are stalled; however, federal law enforcement and prosecution actions are exempted from furlough, thus Drug Enforcement Administration agents and federal prosecutors can operate without any restriction otherwise imposed by the spending bill regarding interference with the cannabis industry. Accordingly, during a shutdown, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis business that are otherwise compliant with state law.

On January 25, 2019, President Trump ended the government shutdown but announced that he may shutdown the government again on February 15, 2019 if, by that time, Congress has not agreed on the final 2019 Fiscal Year Appropriations Bill which includes sufficient funding for a border wall between the United States and Mexico. On February 15, 2019, President Trump avoided another government shutdown and signed the 2019 Fiscal Year Appropriations Bill which included the Leahy Amendment, extending its application until the end of the 2019 fiscal year on December 31, 2019. There can be no assurances that the Leahy Amendment will be included in future appropriations bills.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the U.S. Controlled Substances Act, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in a future budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the government would have the authority to prosecute individuals for violations of the law before it lacked funding under the five (5) year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provides no protection against businesses operating in compliance with a state’s recreational cannabis laws.

Regulatory Action and Approvals from the Food and Drug Administration

The Company’s cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company’s cannabis-based products are not approved by the Food and Drug Administration (“**USFDA**”) as “drugs” or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the USFDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the Federal Food, Drug and Cosmetic Act (“**FFDCA**”).

In recent years, the USFDA has issued letters to a number of companies selling products that contain CBD oil derived from industrial hemp warning them that the marketing of their products violates the FFDCA. USFDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company’s production or distribution of its products. Any such event could have a material adverse effect on the Company’s business, prospects, financial condition, and operating results.

Re-classification of Cannabis in and Removal of Industrial Hemp from the Controlled Substances Act in the United States

The USFDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FFDCA. USFDA’s responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce.

If cannabis, THC or CBD derived from cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the USFDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the USFDA has historically deferred enforcement related to cannabis to the DEA; however, the USFDA has enforced the FFDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis, THC or CBD derived from cannabis were to be rescheduled to a federally controlled, yet legal, substance, FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA, and others to enforce the Controlled Substances Act and FFDCA against businesses that comply with state but not federal law.

On December 28, 2018, the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the Controlled Substances Act and will amend the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The U.S. Department of Agriculture will promulgate regulations for the industrial hemp industry, the timing of which cannot be assured. Additionally, the 2018 Farm Bill does not legalize CBD derived from “marihuana” (as such term is defined in the Controlled Substances Act of 1970), which is and will remain a Schedule I controlled substance under the Controlled Substances Act of 1970. It is not yet known what role the USFDA will have in regulating industrial hemp and CBD derived from industrial hemp.

The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the Controlled Substances Act of 1970 could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Company.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.