Laguna Blends Inc.
(the "Company")
Management Discussion and Analysis
For the six month period ended September 30, 2016

Date of Report: November 29, 2016

The following Management Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of November 29, 2016 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the six month period ended September 30, 2016, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

OVERALL PERFORMANCE

The Company was incorporated under the Business Corporations Act (British Columbia) in June 2014 as Grenadier Resource Corp. The Company changed its name from Grenadier Resource Corp. to Laguna Blends Inc. on September 18, 2015 in conjunction with a reverse takeover transaction that closed on the same date. Pursuant to the transaction, the Company acquired all of the securities of Laguna Blends (USA) Inc., a private Nevada company, in consideration for shares of the Company. The acquisition of Laguna Blends (USA) Inc. was accounted for as reverse takeover transaction of the Company. Consequently, Laguna Blends (USA) Inc. is deemed the accounting parent and the Company is deemed the accounting subsidiary. As Laguna Blends (USA) Inc. was deemed to be the acquirer for accounting purposes.

During the year ended March 31, 2016, the Company consolidated the share capital on a 2.5 share for 1 share basis. The discussion provided herein reflects the share consolidation.

The Company's common shares are listed on the Canadian Securities exchange under the symbol "LAG".

The Company is a product development, sales, marketing and distribution company for hemp-based products and solutions. The company specializes in identifying emerging trends and opportunities such as Cannabidoil (CBD), one of the most useful compounds found in the hemp plant. Hemp is recognized as a superfood and its use in health and functional foods is growing. The Company has largely financed the development of its products and business plan through the issuance of equity securities and intends to continue to rely on such financing until such time that its business generates profitable sales. The Company has also recently raised capital through secured debt financing and may continue to raise such funds until it is able to commercialize operations.

Due to the reverse take-over transaction, Laguna Blends (USA) Inc. is deemed to be the accounting acquirer of the Company and the discussion contained herein is based upon the financial statements of Laguna Blends (USA) Inc. Laguna Blends (USA) Inc. was incorporated on June 24, 2014. As at September 30, 2016, the Company had $32,483 in cash and a working capital deficit of $643,985. For the period ended September 30, 2016, the Company had sales and other revenues of $85,173, $716,449 in expenses and a net loss of $697,640. The majority of expenses consisted of consulting fees of $366,679, advertising and promotion of $150,367, travel expenses of $11,924, management fees of $23,406, stock-based compensation of $18,793, professional fees of $42,126, investor relations of $11,907, filing and transfer agent fees of $10,764, rent of $9,045, office and administration expenses of $33,478, and business development expenses of $24,336 as it advances its product development towards commercialization and established its network of affiliates to later drive sales. The Company has generated minimal sales to date since it commenced commercial operations through the sale of its products in the fourth quarter of 2016. However, until the Company is able to generate profitable operations through the sale of its products, the Company anticipates it will rely on additional issuances of its equity securities and/or additional debt financing.

See the information under the heading "Risk Factors" that have and may continue to affect the Company and its business.

DESCRIPTION OF BUSINESS

Laguna Blends is a product development, sales, marketing and distribution company for hemp-based products and solutions. The company specializes in identifying emerging trends and opportunities such as Cannabidoil (CBD), one of the most useful compounds found in the hemp plant. Hemp is recognized as a superfood and its use in health and functional foods is growing.

Laguna Blends offers a wide range of proprietary and revolutionary products, from functional beverages and phytocannabinoid-enriched water to a clinically proven anti-aging luxury skin care line along with cannabinoid nutraceuticals. The company's research and business development teams are continuously working on new products and proprietary technologies.

Laguna Blends' vision is to become the worldwide leader in the development, marketing and distribution of hemp and CBD products. Its mission is to create a cultural movement building awareness and acceptance of hemp and CBD products, and to make these products socially acceptable and accessible throughout the world. Laguna Blends currently markets and distributes products in the United States and Canada. Products are being distributed to health food stores, specialty markets, health professional offices, spas, cannabis dispensaries and online through affiliate marketers.

The company is planning an aggressive international expansion into Asia and Europe in 2017. Laguna Blends is seeking joint ventures and acquisitions to expand its portfolio and distribution opportunities.

DISCUSSION OF OPERATIONS

The Company is a network marketing company which utilizes a network of independent affiliates to generate retail sales of its products. Sales commenced in March 2016, as such, there was $46,828 in net revenues for the quarter ended September 30, 2016 (2015 - $nil) and $16,785 in net revenues for the year ended March 31, 2016. Management expects to revenues to increase from retail sales, however it is expected expenses will also increase.

The company had working capital deficit of $643,985 as at September 30, 2016 (September 30, 2015 – working capital deficit of $327,160). The Company incurred a net comprehensive loss of $697,640 and $6,336,164 for the three month periods ended September 30, 2016 and September 30, 2015, respectively. During the quarter ended September 30, 2016, the Company generated revenues of $85,173 and net revenues of $46,828. During the six month period ended September 30, 2016 the Company had revenues of $202,492 and net revenues of $73,327. During the period exenses included consulting fees of $366,679, business development costs of $24,336 filing and transfer agent fees of $10,764, management fees of $23,406, professional fees of $42,126, advertising and promotion costs of $150,367, investor relations fees were $11,907, rent of $9,045, share based compensation of $18,793, travel expenses were $11,924, warehouse supplies were $2,530, and website expenses were $11,094. Interest expense on loans payable was $28,019 for the quarter ended September 30, 2016. Total expenses for the period ended September 30, 2016 were $371,648, net revenues of $46,828, and net loss for the period was $697,640. The company had cash of $32,483 and a working capital deficiency of $643,985 as at September 30, 2016, as a result, management believes available funds will not be sufficient to meet working capital requirements for the next twelve month period. Management anticipates that additional funds will need to be raised, through equity financings, shareholder loans, or otherwise, to fund the Company's ongoing operations. Although the Company has secured financings in the past, there is no assurance that we will be able to do so in the future on terms that are favourable to the Company or at all. The Company may have difficulty raising additional funds as necessary due to a number of uncertainties and risk factors, including uncertainty in credit markets, fluctuation in commodity prices and general economic downturns. See "Liquidity and Capital Resources" and "Risk Factors" for a discussion of risk factors that may impact our company's ability to raise funds. Management anticipates sales will continue to increase and the number of products will grow.

SUMMARY OF QUARTERLY RESULTS

As the accounting acquirer in the reverse take-over transaction, the following sets out the selected quarterly financial data of Laguna Blends (USA) Inc. or Consolidated Laguna Blends entities, for the eight most recently completed interim quarters:

	Quarter Ended September 30, 2016	**Quarter Ended June 30, 2016**	**Quarter Ended Mar. 31, 2016**	**Quarter Ended Dec. 31, 2015**
Net Revenue	$46,828	$47,185	$nil	$nil
Net Loss	$(697,640)	$(359,871)	$(669,138)	$(560,090)
Basic and diluted net loss per share	$(0.03)	$(0.02)	$(0.04)	$(0.03)

	Quarter Ended Sept. 30, 2015	**Quarter Ended June 30, 2015**	**Quarter Ended Mar. 31, 2015**	**Quarter Ended Dec. 31, 2014**
Net Revenue	$nil	$nil	$nil	$nil
Net Loss	$(6,494,670)	$(952,934)	$(268,875)	$(300,497)
Basic and diluted net loss per share	$(0.22)	$(0.03)	$(0.20)	$(0.05)

Laguna Blends (USA) Inc., the accounting acquirer of the Company, was incorporated on June 24, 2014. As discussed above under the heading "Description of Business", the Company has had minimal revenues to date as commercial sales commence in quarter four of 2016 and has incurred significant amounts developing its products and building its network of associates who the Company hopes will distribute products. Management anticipates that it will continue to incur a net loss until it is able to increase sales through its network marketing channels in order to obtain profitable operations. Until such time, management anticipates that it will continue to rely on a mixture of equity and debt securities to advance its operations.

SELECTED ANNUAL INFORMATION

The following selected annual financial information is derived from the audited consolidated financial statements for the three most recently completed financial years summarized as follows:

Periods ended September 30,	2016	2015
Net Revenues	46,828	-
Net earnings (loss)	(697,640)	(6,336,164)
Total assets	802,698	375,702
Shareholder's equity (deficit)	(513,985)	(268,748)
Loss per share	(0.03)	(0.21)

Period ended September 30, 2016 compared to the period ended September 30, 2015

The Company incurred a net comprehensive loss of $697,640 and $6,336,164 for the three month periods ended September 30, 2016 and September 30, 2015, respectively. The decrease in net comprehensive loss in the period ended September 30, 2016 from the prior period was mainly the result of the expenses related to completing a public company listing which occurred during the period ended September 30, 2015. During the quarter ended September 30, 2016, the Company generated revenues of $85,173 (2015 - $nil). The company incurred few expenses during the period ended September 30, 2015 compared to the same period in2016 due to the Company completing the RTO and not yet engaging in full business operations. Consulting fees were $366,679 for the quarter ended September 30, 2016 (2015 - $93,525), business development costs were lower for the period ended September 30, 2016 of $24,336 compared to $64,461 for the same period in 2015. Filing and transfer agent fees increase to $10,764 for the quarter ended September 30, 2016 compared to $4,424 during the period in 2015. The increase was due to additional transfer agent fees related to private placements. Management fees were similar in both September quarters of $23.406 in 2016 and $30,000 in 2015. Professional fees also remained steady at $42,126 for the three month period ended September 30, 2016 compared to $46,641 for the period ended September 30, 2015. Advertising and promotion costs increased dramatically from September 30, 2015 of $5,993 to $150,367 for the period ended September 30, 2016. The increase was due to the Company growing operations in terms of products, sales agents, and marketing. For the period ended September 30, 2016, investor relations fees were $11,907, rent was $9,045, share based compensation was $18,793, travel expenses were $11,924, warehouse supplies were $2,530, and website expenses were $11,094. These expenses were $nil during the period ended September 30, 2015 as the Company had not commenced its current operations. These expenses increased from the prior period as the company has become a listed issuer and is in a rapid growth period. Interest expense on loans payable were $28,019 for the quarter ended September 30, 2016 compared to $nil in 2015. During the period ended September 30, 2015, the Company incurred an additional expense item posted as change related to public company listing in the amount of $6,070,379. Total expenses for the period ended September 30, 2016 were $371,648 (2015 - $265,785), net revenues of $46,828 in 2016 compared to $nil in 2015, and net loss for the period was $697,640 (2015 - $6,336,164).

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $32,483 as at September 30, 2016 and a working capital deficiency of $643,985. The Company owed related parties a total of $32,634 and had various loans outstanding totaling $840,000 as at September 30, 2016. These loans are secured by a charge against all present and future inventory of Laguna Blends (USA) and bear interest at the rate of 10% per annum.

On May 17, 2016, completed a non-brokered private placement by issuing 1,763,409 common shares at a price of $0.11 per common share for total proceeds of $193,975.

On, July 15, 2016, the Company completed a non-brokered private placement by issuing 2,712,882 units at a price of $0.11 per unit for total proceeds of $298,417. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at $0.15 for a period on twelve months.

On August 26, 2017, the Company completed a non-brokered private placement by issuing 1,627,200 units at a price of $0.25 per unit for total proceeds of $406,800. Each unit consisted of one common shares and one share purchase warrant. Each warrant is exercisable at $0.40 for a period on twelve months.

On January 7, 2016, the Company issued 28,571 common shares at a deemed price of $0.70 per share to settle debt totaling $20,000.

As the Company has not generated significant revenues from operations to date, the Company relies on the issuance of equity and debt securities to raise capital required for its operations. Although the Company believes revenues will increase, management believes that it will require significant additional capital in order to grow its business to profitability. As a result, management primarily intends to rely on additional equity and debt financing to execute on its business plan. There are no guarantees that additional sources of funding will be available to our company. Due to the uncertainty of our ability to meet our current operating and capital expenses, in their notes to our audited financial statements for the years ended March 31, 2015 and 2016, our independent auditors included an explanatory paragraph regarding their substantial doubt about our ability to continue as a going concern.

See the discuss under the heading "Risk Factors" for risks associated with the Company and its business.

The company has no commitments for capital expenditures at this time.

Operating Activities

During the quarter ended September 30, 2016, operating activities used cash of $567,436. The use of cash for the quarter ended September 30, 2016 was attributable to our loss for the period of $697,640, offset mainly by non-cash items of shares for services of $101,786.

Investing Activities

During the quarters ended September 30, 2016, the Company issued shares of $130,000 (2015- $nil) to purchase a licensing agreement. The Company did not earn any funds from investing activities.

Financing Activities

During the quarter ended September 30, 2016, the Company raised $705,217 (2015 - $nil) through financing activities. During the quarter ended September 30, 2016, the Company had a $50,000 decrease in loans payable.

CHANGES IN ACCOUNTING POLICIES

New standard not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial statements has not yet been determined.

IFRS 15: Revenue from Contracts and Customers ("IFRS 15"), was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual years beginning on or after January 1, 2017. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the consolidated financial statements given that the Company has not used a revenue-based method to depreciate its non-current assets

OFF BALANCE SHEET ARRANGEMENTS

The Company did not have any off balance sheet arrangements during the periods ended September 30, 2016 or September 30, 2015.

RELATED PARTY TRANSACTIONS

During the quarter ended September 30, 2016, the Company entered into the following related party transactions:

- Management fees of $105,000 were paid to key management of Laguna Blends Inc. during the quarter ended September 30, 2016 (2015 – 77,500);

- During the period ended September 30, 2016, the Company paid and accrued interest expense of $18,293 (2015: $0), in connection with loans payable to the CEO and the spouse of the CEO of the Company.

- As of September 30, 2016, $32,634 (September 30, 2015 - $nil) is owed to directors and officers of the Company and a company owned by a director of the Company for unpaid fees and expenses, and $840,000 is owed in loans payable to the spouse of the Chief Executive Officer ("CEO") of the Company.

During the year ended March 31, 2016, the Company entered into the following related party transactions:

- Management fees of $142,550 were paid to key management of Laguna Blends Inc. during the year ended March 31, 2016 ($60,000 for the period from incorporation on June 24, 2014 to December 31, 2014);

- As of December 31, 2015, $110,500 (March 31, 2015 - $45,000) was owed to Stuart Gray, the President and CEO of the Company, and $3,731 (March 31, 2015 - $nil) was owed to Negar Adam, the Corporate Secretary of the Company.

- On July 9, 2015, the Company and Stuart Gray, the CEO, President and a director of the Company, entered into a return to treasury agreement whereby 40 common shares of Laguna Blends (USA) Inc. previously issued to Mr. Gray on June 14, 2014 as founder's shares were returned to the treasury of Laguna Blends (USA) Inc. without consideration.

- On July 28, 2015, Laguna Blends (USA) Inc. and Stuart Gray, the President and CEO of Laguna Blends (USA) entered into a debt settlement and subscription agreement, whereby $65,000 previously loaned by the CEO to Laguna Blends (USA) Inc. under two promissory notes and the interest thereon were settled by the issuance of 560,000 common shares of Laguna Blends (USA) Inc. to the President and CEO. Also on this date, Stuart Gray, the President and CEO of Laguna Blends (USA) Inc. returned 560,000 common shares of Laguna Blends (USA) Inc. which were issued to the CEO pursuant to his consulting agreement with Laguna Blends (USA) Inc. to treasury for cancellation.

- On July 16, 2015, Laguna Blends (USA) Inc. entered into a loan agreement with Stuart Gray, President and CEO for a principal amount of $250,000. The loan is secured by a charge against all present and future inventory of Laguna Blends (USA) Inc. and bears interest at the rate of 10% per annum. The loan is due and payable in full on July 16, 2016. Laguna Blends (USA) Inc. may at any time during the term of the loan prepay any sum up to the full amount of the loan and accrued interest then outstanding at any time for an additional 10% of such amount. Subsequent to December 31, 2015, the loan was transferred to Mr. Gray's spouse.

- On November 12, 2015, Laguna Blends (USA) Inc., entered into a loan agreement with the spouse of Stuart Gray, the President and CEO of the Company for a principal amount of $150,000. The loan is secured by a charge against all present and future inventory of Laguna Blends (USA) Inc. and bears interest at the rate of 10% per annum. The loan is due and payable in full on November 12, 2016. Laguna Blends (USA) Inc. may at any time during the term of the loan prepay any sum up to the full amount of the loan and accrued interest then outstanding at any time for an additional 10% of such amount.

- On December 11, 2015, Laguna Blends (USA) entered into a loan agreement with the spouse of Stuart Gray, the President and CEO and a director of the Company for a principal amount of $100,000. The loan is secured by a charge against all present and future inventory of Laguna Blends (USA) Inc. and bears interest at the rate of 10% per annum. The loan is due and payable in full on December 11, 2016. Laguna Blends (USA) Inc. may at any time during the term of the loan prepay any sum up to the full amount of the loan and accrued interest then outstanding at any time for an additional 10% of such amount.

- On January 20, 2016, Laguna Blends (USA) Inc. entered into a loan agreement with the spouse of Stuart Gray, the President, CEO and a director of the Company, for a principal amount of $200,000. The loan is secured by a charge against all present and future inventory of Laguna Blends (USA) Inc. and bears interest at the rate of 10% per annum. The loan is due and payable in full on January 20, 2016. Laguna Blends (USA) Inc. may at any time during the term of the loan prepay any sum up to the full amount of the loan and accrued interest then outstanding at any time for an additional 10% of such amount.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Proposed Transactions

The Company did not have any propose

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

During the quarters ended September 30, 2016 and September 30, 2015, the Company incurred expenses including the following operating expenses:

	2016	2015
Consulting fees	366,679	93,525
Management fees	23,406	30,000
Business development costs	24,336	61,461
Filing and transfer agent fees	10,764	4,424
Investor relations	11,907	-
Professional fees	42,126	46,461
Office and administration	33,478	23,741
Rent	9,045	-
Share based compensation	18,793	-
Advertising and promotion	150,367	5,993
Travel	11,924	-
Warehouse supplies	2,530	-
Website expenses	11,094	-

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

Taking into account the 1 for 2.5 share consolidation that was effective January 6, 2016, The Company's authorized share capital consists of an unlimited number of common shares without par value. Taking into account the 1 for 2.5 share consolidation that was effective January 6, 2016, and as at September 30, 2016, the Company had 28,166,118 common shares issued and outstanding. As of November 29, 2016, the Company had 35,068,222 shares issued and outstanding.

As at September 30, 2016 and November 29, 2016, the Company had 3,000,000 common shares held in escrow. These shares will be released from escrow over a period of 48 months from September 21, 2015.

Share Purchase Warrants

As of September 30, 2016, the Company had 9,289,443 share purchase warrants outstanding.

The continuity of warrants for the period ended September 30, 2016 is summarized below:

Number	Weighted average Exercise Price	Expiry Date
223,040	$1.25	October 1, 2017(1)
173,628	$1.25	October 30, 2017(1)
14,286	$1.25	November 9, 2017(1)
1,175,000	$0.25	March 10, 2018
1,600,000	$0.68	December 31, 2019
1,763,407	$0.15	May 17, 2017
2,712,882	$0.15	July 15, 2017
1,627,200	$0.40	August 26, 2017
9,289,443	$0.37	

(1) On July 31, 2015, expiration dates of these warrants were extended to one year. The new dates are reflected in the table above.

**If the volume weighted average closing price of the common shares is CDN $1.50 or more for 20 consecutive trading days, the Expiry Date of the Warrants may be accelerated to that date which is 10 business days from the date of the notice to the Warrant holders.

On May 26, 2016, 2,689,408 warrants with an exercise price of $1.25 expired unexercised. On May 31, 2016, 20,000 warrants with an exercise price of $0.68 expired unexercised As of August 29, 2016, the Company had 9,289,443 share purchase warrants outstanding.

Stock Options

As of September 30, 2016, the Company had 2,230,000 share purchase options outstanding, which had the following characteristics:

Number of Options	Exercise Price	Expiry Date
1,100,000	$0.16	March 2, 2017
40,000	$0.28	March 2, 2017
40,000	$0.70	September 29, 2017
650,000	$0.16	March 2, 2019
100,000	$0.10	June 13, 2017
100,000	$0.25	August 24, 2017
200,000	$0.25	September 2, 2017
2,230,000		

On August 3, 2016, the Company cancelled 400,000 stock options with an exercise price of $0.30 that were due to expire on January 15, 2017. As of November 29, 2016, the Company had 2,230,000 share purchase options outstanding.

RISK FACTORS

The following information is a summary only and the risks and uncertainties below are not the only ones related to our company. There are additional risks and uncertainties that our company does not presently know of or that our company currently considers immaterial which may also impair our company's business operations. If any of the following risks actually occur, our company's business may be harmed and its financial condition and results of operations may suffer significantly.

In such circumstances, the price of our company's common shares could decline and investors may lose all or part of their investment.

Need for Additional Financing

As of September 30, 2015, the Company had cash in the approximate amount of $32,483 and a net loss of $697,640 for the quarter ended September 30, 2016. As such, the Company will require additional financing in the very near future to sustain its business operations. The Company currently does not have any arrangements for such financing and may not be able to obtain financing when required. The fluctuation in the price of our company's common shares has and will impact our company's ability to obtain future financing. Obtaining additional financing would be subject to a number of factors, including our company's ability to initially attract investments prior to substantial revenue generation, and thereafter our company's ability to grow its brand. The Company can provide investors with no assurance that it will ever achieve profitable operations, and thus our company faces a high risk of business failure. The Company's ability to achieve and maintain profitability and positive cash flow is dependent upon our company's ability to:
- market and sell its products to the levels anticipated;
- generate profits from the sale of those products; and
- create a successful brand.

The Company has a history of operating losses and negative cash flow that will continue into the foreseeable future. If our company fails to execute its strategy to achieve and maintain profitability in the future, investors could lose confidence in the value of our company's common shares, which could cause our company's share price to further decline and adversely affect its ability to raise additional capital.

These circumstances raise substantial doubt about our ability to continue as a going concern, which was also described in an explanatory paragraph to our independent auditors' report on the audited financial statements March 31, 2015 and 2016. If The Company are unable to continue as a going concern, investors will likely lose all of their investments in our company.

Key Personnel
The future success of our company will depend, in large part, upon its ability to retain its key management personnel and to attract and retain additional qualified marketing, sales and operational personnel, as well as independent affiliates to form part of its network marketing system. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and operational personnel as well as independent affiliates, could make it difficult for our company to manage its business and meet its objectives.

Legal Challenges to Network Marketing
The Company anticipates there will be risks associated with its network marketing program. Network marketing programs, also known as direct selling programs, are subject to a number of regulations administered in Canada and in other foreign markets, including the United States. The business of our company is subject to the risk that, in one or more markets, its network marketing program could be found not to be in compliance with applicable laws or regulations. Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or "chain sales" schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization's products rather than investments in the organization or other non-retail sales-related criteria. The ambiguity surrounding these laws can also affect the public

perception of companies with network marketing businesses. The failure of our company's network marketing program to comply with current or newly adopted regulations could negatively impact our company's business in a particular market or in general and could adversely affect the share price of our company's common shares.

Additionally, the failure of other network marketing companies and any associated negative publicity could adversely impact the perception of our company's business or the network marketing industry in general, and could also adversely impact our company's share price.

Product Liability

The Company, as a manufacturer of nutritional beverages designed to be ingested by humans, faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of our 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 its products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. There can be no assurances that our 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 our company's potential products.

Product Recalls

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

Limited Operating History

The Company has a limited operating history from which investors can evaluate its business. The Company's ability to successfully develop its products and to realize consistent, meaningful revenues and profit has not been established and cannot be assured. The Company has not generated any revenues and does not expect to do so in the near future. For our company to achieve success, our company's products must receive broad market acceptance by consumers. Without this market acceptance, our company will not be able to generate sufficient revenue to continue its business operations. If our company's products are not widely accepted by the market, our company's business may fail.

The Company's ability to achieve and maintain profitability and positive cash flow is dependent upon its ability to generate revenues, manage development costs and expenses, and compete successfully with its direct and indirect competitors. The Company anticipates operating losses in upcoming future periods. This will occur because there are expenses associated with the development, production, marketing, and sales of our company's products. As a result, our company may not generate significant revenues in the future. Failure to generate significant revenues in the near future may cause our company to suspend or cease activities.

Adverse Publicity and Product Liability Insurance
The size of our company's distribution force and the results of its operations may be significantly affected by the public's perception of our company and similar companies. This perception is dependent upon opinions concerning:
the safety and quality of its products and ingredients;
its independent affiliates;
its network marketing program; and
the network marketing business generally.

Adverse publicity concerning any actual or purported failure of our company or of its independent affiliates to comply with applicable laws and regulations regarding product claims and advertising, good manufacturing practices, the regulation of its network marketing program, the licensing of its products for sale in its target markets or other aspects of its business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of our company and could negatively affect its ability to attract, motivate and retain affiliates, which would negatively impact its ability to generate revenue. The Company cannot ensure that all of its independent affiliates will comply with applicable legal requirements relating to the advertising, labeling, licensing or distribution of its products.

Adverse publicity relating to our company, its products or its operations, including its network marketing program or the attractiveness or viability of the financial opportunities provided thereby could have a negative effect on its ability to attract, motivate and retain independent affiliates, and its financial condition and operating results could be materially affected.

The Company is in the process of obtaining general liability insurance, including product liability insurance. There is no guarantee that this insurance will be obtained, and if it is obtained, that it will cover all potential claims or be of a sufficient amount of coverage to protect against losses due to liability. Moreover, liability claims arising from a serious adverse event could increase its costs through higher insurance premiums and deductibles, and could make it more difficult to secure adequate insurance coverage in the future. A product liability claim or product recall could have a material adverse effect on our company's business and financial condition.

Relationship with and Ability to Influence Affiliates
The Company expects to depend upon independent affiliates for a significant portion of its sales. To increase its revenue, our company must increase the number of, or the productivity of, its independent affiliates. Therefore, its success depends in significant part upon its ability to attract, retain and motivate a large base of independent affiliates. The loss of a significant number of affiliates for any reason could negatively impact sales of our company's products and could impair its ability to attract new ones. In its efforts to attract and retain independent affiliates, our company competes with other network marketing organizations. The Company's operating results could be

harmed if its business opportunities and products do not generate sufficient interest to retain existing and attract new independent affiliates.
The turnover rate of our company's independent affiliates, and its operating results, can be adversely impacted if our company, and its senior leadership, do not provide the necessary mentoring, training and business support tools to its affiliates for them to become successful.
The Company's independent affiliates may voluntarily terminate their business relationship with our company at any time. The loss of a significant number of independent affiliates for any reason, could negatively impact sales of our company's products, impair its ability to attract new affiliates and harm its financial condition and operating results.

Since our company expects that its product sales will be made through a network marketing system comprised of independent affiliates, our company does not have control over the business practices of such affiliates. Accordingly, our company is not in a position to directly provide the same direction, motivation and oversight as our company would if the independent affiliates were its own employees. As a result, there can be no assurance that its independent affiliates will participate in its marketing strategies or plans, accept its introduction of new products, or comply with its distributor policies and procedures.

While our company expects to prepare and provide information and guidelines designed to govern the conduct of its independent affiliates and to protect the goodwill associated with its business, it can be difficult to enforce these policies and procedures because of the large number of affiliates and their independent status. Violations by our company's independent affiliates of applicable law or of its policies and procedures in dealing with customers could reflect negatively on our company's products and operations and harm its business reputation.

International Operational Risks, Including Compliance and Foreign Exchange Risk
The Company expects to derive a portion of its revenues from sales outside of Canada, thus exposing its business to risks associated with foreign operations. For example, a foreign government could impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict its ability to import products into a country, any of which could negatively impact our company's operations. The Company is also exposed to risks associated with foreign currency fluctuations. From time to time, management may engage in transactions to protect a portion of its liquidities against risks associated with foreign currency fluctuations. The Company cannot be certain that any hedging activity which may be undertaken or any expected natural hedges will effectively reduce its exchange rate exposure. Additionally, our company may be negatively impacted by conflicts with or disruptions caused or faced by its third party importers, as well as conflicts between such importers and local governments or regulating agencies. The Company's operations in some markets also may be adversely affected by political, economic and social instability in foreign countries. As our company expects to expand its international operations, these and other risks associated with international operations may increase, which could harm its financial condition and operating results.

The Company is subject to direct regulation by domestic and foreign governmental agencies in countries where our company expects to generate network sales. The Company's marketing objectives are contingent, in part, upon compliance with regulatory requirements and obtaining regulatory approvals where necessary for the sale of certain of its products.
The Company is also subject to direct regulation by domestic and foreign governmental agencies in connection with the operation of its network marketing system.

In addition, our company may be subject to regulations and taxes under local, provincial, state and federal laws, including requirements regarding customs, duties, cross-border issues, occupational

safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local and foreign regulations.
Changes in government regulations could also have an adverse effect on the business and financial condition of our company.

Dependence on Penetration of Existing Markets
The success of our company's business is to a large extent contingent on its ability to penetrate existing markets and to a lesser extent to enter into new markets. The Company's ability to penetrate existing markets or to expand its business into additional countries, to the extent it believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are out of its control.

In addition, government regulations in both its domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of its products, which could negatively impact its business, financial condition and results of operations.

The Company's growth will depend upon improved training and other activities that enhance the retention of independent affiliates in its markets. If our company is unable to expand into new markets or penetrate existing markets, its operating results could suffer.

Competition
The market for our company's products is intensely competitive and subject to rapid technological changes. Larger competitors with longer operating histories and greater financial, marketing and other resources could develop and market new products which could render our company's existing products less competitive.

Due to the high level of competition in our company's industry, our company might fail to retain its customers and independent affiliates, which would harm its financial condition and operating results. In addition, because the industry in which our company operates is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge who could compete with our company for its independent affiliates and customers. In addition, the fact that our company's independent affiliates may easily enter and exit its network marketing program contributes to the level of competition that our company faces. The Company's ability to remain competitive therefore depends, in significant part, on its success in attracting and retaining independent affiliates through an attractive compensation plan, the maintenance of an attractive product portfolio and other incentives. The Company cannot ensure that its programs will be successful and if they are not, our company's financial condition and operating results could be materially affected.

Changing Consumer Preferences and Demands
The Company's business is subject to changing consumer trends and preferences. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and it may not respond in a timely or commercially appropriate manner to such changes. Furthermore, our company's industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. The Company's failure to accurately predict these trends could negatively impact consumer opinion of its products, which in turn could harm its customer and distributor relationships and cause the loss of sales. The success of our company's new product offerings and enhancements depends upon a number of factors, including its ability to:
- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;

- price its products competitively;
- manufacture and deliver its products in sufficient volumes and in a timely manner; and
- differentiate its product offerings from those of its competitors.

If our company does not introduce new products or make enhancements to meet the changing needs of its customers in a timely manner, some of our company's products could be rendered obsolete, which could negatively impact our company's revenues, financial condition and operating results.

Product Concentration
The Company expects that its hemp-based coffee products will constitute a significant portion of its revenues. If consumer demand for these products does not develop as expected, or if our company ceases offering these products without a suitable replacement, then our company's financial condition and operating results would be materially affected.

Reliance on Key Suppliers
The Company's business is heavily dependent upon its key suppliers, namely for the provision of raw materials, for contract manufacturing services, as well as for other services such as information technology support. If our company is unable to maintain a business relationship with one or more of its key suppliers, its business and financial condition could be materially adversely affected. To date, our company has not experienced any difficulty in obtaining adequate supplies or services from its key suppliers; however, there can be no assurance that our company's outside contract manufacturers and suppliers will continue to reliably supply products and services to our company at the levels of quality and quantity which it requires.

Information Technology Infrastructure
The Company's ability to provide products and services to its customers and independent affiliates depends on the performance and availability of its core transactional systems. This software is provided by a third party. While our company continues to invest in its information technology infrastructure, including the immersive Web collaboration technology, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of its future business needs.

Anyone that is able to circumvent our company's security measures could misappropriate confidential or proprietary information, including that of third parties such as its independent affiliates, cause interruption in its operations, damage its computers or otherwise damage its reputation and business. The Company may need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any actual security breaches could damage our company's reputation and expose it to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur, our company could incur significant expenses addressing such problems.

Compliance with Laws and Governmental Regulations
In domestic and foreign markets, the formulation, manufacturing, packaging, labeling, distribution, importation, exportation, licensing, sale and storage of our company's products may be affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that our company or its independent affiliates are in compliance with all of these regulations. The failure to comply with these regulations or new regulations could disrupt the sale of our company's products, or lead to the imposition of significant penalties or claims and could negatively impact our company's business. In addition, the adoption of

new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of our company's products, resulting in significant loss of sales revenues.

Governmental regulations in countries where our company plans to commence or expand operations may prevent or delay entry into those markets. In addition, our company's ability to sustain satisfactory levels of sales may depend in significant part on its ability to introduce additional products into such markets. However, governmental regulations in our company's markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of its products. Any such regulatory action, whether or not it results in a final adverse determination, could create negative publicity, with detrimental effects on sales.

Intellectual Property
The Company does not currently hold any registered trademarks, patents or pending patent applications. The Company has taken measures to ensure that its product designs remain confidential by requiring employees and consultants to enter into agreements featuring confidentiality provisions. Such agreements prohibit employees and consultants from disclosing any confidential information outside of our company or for any use or purpose other than those of our company. These agreements govern interactions with business partners and prospective business partners where disclosure of proprietary information may be necessary. There can be no assurance that these agreements will be held valid and enforceable by a court, or that our company's employees and consultants will not breach these agreements. In addition, it may be difficult and expensive for our company to take legal action to remedy any possible breaches of these agreements.

The Worldwide Financial and Economic Environment
Various aspects of the current worldwide financial and economic environment could potentially impact on our company's liquidity, its access to capital, its operations and its overall financial condition. The Company notes that economic and financial markets are fluid and it cannot ensure that there will not be a material adverse deterioration in its liquidity in the near future. If our company is forced to borrow money to support its liquidity requirements, increases in interest rates could negatively affect the cost of financing our company's operations.

Technical Obsolescence and Product Development
The Company's industry is characterized by rapidly changing technology, shifting industry standards and frequent introduction of new products. The introduction of new products embodying new technologies and the emergence of new industry standards may render our company's products obsolete or less marketable. The process of developing our company's products is complex and requires continuing development efforts. The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect its business and financial condition.

Research and development in the industry in which our company operates is highly speculative and involves a high degree of risk. The marketability of any product which may be developed by our company could be affected by numerous factors beyond our company's control, including:
- proprietary rights of third parties or competing products or technologies may preclude commercialization;
- requisite regulatory approvals may not be obtained; and
- other factors may become apparent during the course of research, up scaling or manufacturing which may result in the discontinuation of research and other critical projects.

Liquidity Risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing cash forecasts, as well as operating and strategic plans. The Company's liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations. There can be no assurance that our company's forecasts will adequately predict its liquidity needs.

Taxation Relating to Independent Affiliates

The Company's independent affiliates are typically subject to taxation in their respective jurisdictions, and in some instances, legislation or governmental agencies could impose an obligation on our company to collect taxes and to maintain appropriate records. In addition, our company is subject to the risk in some jurisdictions of being responsible for social security, withholding or other taxes with respect to payments to its independent affiliates.

In addition, in the event that local laws and regulations or the interpretation of local laws and regulations change to require our company to treat its independent affiliates as employees, or that they are deemed by local regulatory authorities in one or more of the jurisdictions in which our company intends to operate to be its employees rather than independent affiliates under existing laws and interpretations, our company may be held responsible for social contributions, withholding and related taxes in those jurisdictions, plus any related assessments and penalties, which could harm our company's financial condition and operating results.

Manufacturing Facilities

The Company relies on its contracted manufacturers having properly validated, fully functioning manufacturing facilities of sufficient size in which to produce its products for market. Should systems fail, or a disaster strike, the ability to produce our company's products would be negatively affected which, in turn, would affect revenue generation. The Company does not currently have backup manufacturing contracts or capacity for its products. As a result, our company would be forced to find new manufacturers should an unexpected event as described above occur.

Risk Factors Related to our company's Common Shares

High Risk and Speculative Nature of Investment

An investment in our company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has no history of earnings, limited cash reserves, a limited operating history, and is dependent on equity financing to fund planned operations. The Company has not paid dividends in the past, and our company is unlikely to pay dividends in the immediate or near future. The Company's operations are not yet sufficiently established such that it can mitigate the risks associated with its planned activities. You may be at risk of losing any investment in our company's common shares.

Volatility of Stock Price and Market Conditions

The market price of our company's common shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in our company's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if our company is successful in maintaining revenues, cash flows or earnings. The purchase of our company's common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of our company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in our company should not constitute a major portion of an investor's portfolio.

Significant Ownership Interest of Management and Directors

As of the date hereof, our company's officers and directors own approximately 20% of our company's common shares on a fully diluted basis. As a group, they hold a controlling interest in our company's common shares. As a result, these individuals, jointly, could exercise substantial control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership limits the power to exercise control by minority shareholders.

ADDITIONAL INFORMATION

The Company files annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at http://www.sedar.com.