Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Thoughtful Brands Inc. (formerly Mota Ventures Corp.) ("TBI" or the "Company"), and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2020. The preparation of financial data is in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and all figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is August 31, 2020.

All dollar amounts are expressed in Canadian dollars, except otherwise indicated.

Caution Regarding Forward Looking Information

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future activities of the Company after the date of this report, including: its ability to acquire additional revenue-generating CBD brands and operations; establishing an international distribution network for CBD products; achieving low cost CBD production coupled with international, direct to consumer sales channels; the expansion of its operations in Europe and the United States; potential synergies between its subsidiaries; finalizing joint ventures, licensing arrangements and other proposed transactions; the success of its research partnerships; its ability to grow hemp and produce cannabidiol in Colombia; its ability to complete seed registration programs in Colombia and obtain the required licensing to cultivate and process hemp; the ability of Folium (as defined herein) to produce high quality and consistent cannabis product through its facilities; the Company's market position; ability to compete and future or operating performance of the Company after the date of this report; the future demand for the Company's products; and the success of its marketing activities. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of June 30, 2020. These assumptions, which include, management's current expectations, estimates and assumptions about the Company's future financial and operating performance and the global economic environment may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) inability to locate and identify potential business acquisitions, (3) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (4) other factors beyond our control. There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Unless otherwise required by applicable securities laws, the Issuer disclaims any obligation to update any forward-looking statements, whether as a result of new events, circumstances and information, future events or results or otherwise. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

Description of Business

The Company is an eCommerce technology company that researches, develops, markets, and distributes natural health products through various brands in North America and Europe, with a focus on the cannabidiol ("CBD") and psychedelic medicine sectors. The Company is seeking to acquire additional revenue producing CBD brands and operations in both Europe and North America, with the goal of establishing an international distribution network for CBD and other natural health products. On August 14, 2020, the Company changed its name from Mota Ventures Corp. to Thoughtful Brands Inc. to reflect this goal. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TBI" effective the date of the name change.

The Company is incorporated under the laws of British Columbia, Canada. The address of the Company's corporate office and its principal place of business is Suite 800 – 1199 W Hastings Street, Vancouver BC, Canada V6E 3T5.

Key highlights for the six months ended June 30, 2020

Financing

On April 21, 2020, the Company completed an offering (the "Offering") of 9,944,000 units (each, a "Unit") on April 21, 2020 and 6,142,859 Units on April 1, 2020, by way of non-brokered private placement at a price of $0.28 per Unit for total gross proceeds of $4,504,320. Each Unit consists of one common share of the Company, and one common share purchase warrant (each, a "Warrant") exercisable to acquire an additional share at a price of $0.38 for a period of twenty-four months, expiring on April 21, 2022 and April 1, 2022 respectively.

The Company will utilize the proceeds of the Offering to further develop and market products in North America and Europe using its eCommerce sales channels, to satisfy compensation obligations based on services provided to the Company and the satisfaction of performance metrics and for general working capital purposes. In connection with completion of the Offering, the Company has paid $75,120 and issued 441,072 common shares and 268,287 Warrants to certain arms-length parties who assisted in facilitating the Offering. The Company has also issued 142,857 Warrants to an arms-length consultant, as partial consideration for services provided to the Company. The Company also paid $45,043 to a third-party for successfully administering the Offering.

Verrian (Radebeul, Germany)

Verrian Ontario Limited ("Verrian") is an arms'-length privately-held company that is focused on delivering and developing products related to addiction reduction, with a focus on alcohol and opiates. Verrian owns and operates a 110,000 square foot pharmaceutical manufacturing facility in Radebeul, Germany. Operations within this full suite pharmaceutical manufacturing site include analytical laboratory and finished dose manufacturing.

Acquisition

On June 1, 2020, the Company completed the acquisition (the "Verrian Transaction") of Verrian.

Transaction Details

On June 1, 2020 the Company acquired effective control for accounting purposes over the operations of Verrian. The Company and Verrian are at arms'-length.

Consideration for the Verrian Transaction consists of the following:

- $150,000 which was paid upon completion of the Verrian Transaction,
- $950,000 which is due and owing by August 1, 2020; and
- The issuance of 54,347,826 common shares of the Company with a fair value of $25,271,739, based on the Company's share price on the date of the transaction (Note 18(b)).

In connection with completion of the Verrian Transaction, the Company issued 5,434,783 common shares to certain arms'-length finders that assisted in introducing the Verrian Transaction to the Company. Additionally, the Company issued 1,086,957 common shares to a consultant who assisted in the administration of the Verrian Transaction. As a result, $3,032,609 was recorded as transaction costs in the statement of profit (loss).

Operational update

As at June 30, 2020, the Company is working towards renewing the Good Distribution Practices (GDP) certification for the Radebeul, Germany facility.

Folium acquisition (BC, Canada)

Folium is a Health Canada licensed indoor cannabis cultivator with facilities located on Vancouver Island. Folium is nearing completion of the expansion of its existing cultivation facility. Its business plan calls for a further phase 2 expansion of the facility. Folium aims to produce a high quality and consistent cannabis product through its facilities.

On April 7, 2020, the Company acquired 360 shares of Folium, representing 20% ownership interest in Folium through acquiring all of the outstanding share capital of 1244780 B.C. Ltd. ("1244780") (the "Folium Shares Acquisition"), by issuing 21,000,000 common shares of the Company. The fair value of the Folium shares was recognized as $8,400,000, based on the Company's share price on the date of the transaction. The Company does not have significant influence over Folium, and has classified the Folium shares as marketable securities at the date of acquisition. There was no change in fair value from the date of acquisition to June 30, 2020.

In connection with completion of the Folium Shares Acquisition, the Company issued 210,000 common shares to a consultant who assisted with the Folium Shares Acquisition.

Nature's Exclusive (Utah, USA)

Nature's Exclusive is a direct to consumer online retail distributor business in the United States. Nature's Exclusive offers a range of products using CBD hemp-oil, which include CBD oil drops, CBD gummies, CBD pain relief cream and CBD skin serum.

Acquisition

On January 17, 2020, the Company completed the acquisition (the "Nature's Exclusive Transaction") of the online distributor Nature's Exclusive (formerly First Class CBD), pursuant to the terms of a business combination agreement (the "Nature's Exclusive Agreement") entered into with Unified Funding, LLC ("Unified"). Unified is an arms'-length party which operated Nature's Exclusive through its wholly-owned subsidiary, Natural Brands USA, LLC (formerly First Class USA, LLC).

Transaction Details

Consideration for the Nature's Exclusive Transaction consists of the following:

- US$1,500,000 which was paid upon completion of the Nature's Exclusive Transaction,
- US$1,500,000 which is due and owing within six months and recorded as consideration payable, and
- The issuance of 47,125,000 common shares of the Company.

As at the date of this report, 4,712,500 common shares have been issued to Unified on closing and 7,068,750 common shares were issued to Unified on May 29, 2020.

As at the date of this report, the Company has contributed US$1,300,000 in the working capital of Nature's Exclusive.

Unified will also be entitled to a one-time bonus payment (the "Bonus Payment") based on the revenue and profitability of Nature's Exclusive in the 2020 calendar year. During the six months ended June 30, 2020, the Nature's Exclusive Agreement was amended for the Bonus Payment to be: (i) US$5,000,000, in the event gross revenue exceeds US$40,000,000 (formerly US$42,000,000) with a profit margin of at least ten percent; (ii) US$10,000,000, in the event gross revenue exceeds US$45,000,000 (formerly US$52,000,000) with a profit margin of at least ten percent; or (iii) US$15,000,000, in the event gross revenue exceeds US$50,000,000 (formerly US$62,000,000) with a profit margin of at least ten percent. The Bonus Payment will be payable in common shares of the Company (the "Bonus Shares") based on an exchange rate of US$1.00 to C$1.30 and the greater of: (i) C$0.80; and (ii) the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the last trading day of 2020.

In connection with completion of the Nature's Exclusive Transaction, the Company issued 5,200,000 common shares certain arms'-length third-parties who assisted in introducing the parties to the Nature's Exclusive Transaction and facilitating its completion. The Company also issued a further 520,000 common shares to a third-party for successfully administering the Nature's Exclusive Transaction. As a result, $3,718,000 was recorded as transaction costs in the statement of profit (loss).

Following completion of the Nature's Exclusive Transaction, Unified will continue to assist with the management of operations of Nature's Exclusive.

After the definitive close of Nature's Exclusive Transaction, the Company's Board of Directors appointed Ryan Dean Hoggan to Chief Executive Officer.

Operational update

In March and April 2020, the Company launched the Immune Support product line.

The Company plans to continue its significant growth in U.S. operations over the balance of 2020, as well as an expansion into the European market.

Sativida (Madrid, Spain)

Sativida is an arms'-length producer and online retailer of CBD and branded CBD products in various jurisdictions in Europe, including Spain, Portugal, Austria, Germany, France and the United Kingdom. Sativida currently develops and retails a vast range of organic CBD oils and cosmetics across Europe and is in the process of expanding its distribution network internationally to include the United States.

Acquisition

Pursuant to the binding agreement with Sativida OU (Estonia) and Sativida OU's subsidiary, VIDA BCN LABS S.L. (collectively with Sativida OU, "Sativida") dated January 9, 2020 (the "Sativida Agreement"), the Company was granted the right to acquire Sativida in stages (the "Sativida Transaction"), at the discretion of the Company, as certain corporate and intellectual property registrations were completed.

On March 25, 2020, the Company, through its Spanish subsidiary Global Zifar S.L., acquired the intellectual property and trade names of Sativida in Spain, and will license both back to Sativida in exchange for a royalty associated with the gross revenues generated by Sativida. Pursuant to the Sativida Agreement, the Company also holds the right to acquire all of the outstanding share capital of Sativida at any time for no additional consideration.

Transaction Details

Consideration for the Sativida Transaction consists of the following:

- An initial component of €2,000,001 (the "Initial Sativida Consideration"). The Initial Sativida Consideration was paid in 5,496,221 common shares of the Company (the "Sativida Consideration Shares") with a fair value of $1,154,206, based on the Company's share price on the date of the transaction; and
- An earn-out component made up of three milestone payments in each of fiscal year 2020, 2021 and 2022, based upon the revenue of Sativida (each, a "Milestone Payment") for each year end.

Each Milestone Payment will be based on a 400% multiple of Sativida's revenue for each year end until the aggregate of the Initial Sativida Consideration and Milestone Payments reaches €4,000,000, at which point the multiple will be reduced to 100%. In no event will the combined Milestone Payments and the value of the Initial Sativida Consideration exceed €15,000,000. Payment of the Milestone Payments will be satisfied by the Company issuing its common shares ("Milestone Shares") to Sativida. The total number of Milestone Shares issuable to Sativida will be determined by dividing the amount due by the volume weighted average closing price of the Company's common shares on the Canadian Securities Exchange in the ten trading days prior to the day that the Milestone Payment is due.

In connection with completion of the Sativida Transaction, the Company issued 549,622 common shares to certain arms'-length finders that assisted in introducing the Sativida Transaction to the Company. Additionally, the Company issued 109,924 common shares to a consultant who assisted in the administration of the Sativida Transaction. As a result, $138,505 was recorded as transaction costs in the statement of profit (loss).

Operational update

Through TBI, Sativida has an agreement with Unified for the expansion of the brand into the United States. Unified will provide assistance to Sativida with product sourcing, packaging, shipping, payment infrastructure and marketing in the United States. Unified is an eCommerce and technology company focused on serving U.S.-based and international consumers in the CBD and natural health products market.

BevCanna JV agreement (BC, Canada)

On February 5, 2020, the Company entered into a joint venture agreement (the "JV Agreement"), with BevCanna Enterprises Inc. ("BevCanna"), pursuant to which the parties intend to partner in the development of a joint venture (the "Joint Venture") to distribute BevCanna branded products infused with hemp-derived CBD in the European market.

The Joint Venture holds exclusive rights to sell and market BevCanna house brand lines of hemp-derived CBD products in Europe and will operate for an initial five-year term.

Under the JV Agreement, the Company and BevCanna will share equal ownership in the Joint Venture and will be jointly responsible for developing and funding its operations. In addition to capital, BevCanna will contribute proprietary brands, product formulations, formulas for nanoencapsulated water-soluble powders, marketing and manufacturing expertise to the Joint Venture. The Company will provide manufacturing, marketing and distribution infrastructure in the European market.

Finalization of the Joint Venture remains subject to the establishment of a joint venture company by the parties, and the licensing and registration of intellectual property for use in Europe.

Phenome licensing agreement (BC, Canada)

On January 17, 2020, the Company entered into a licensing and royalty agreement (the "Phenome Licensing Agreement") with Phenome One Corporation ("Phenome"), a privately held full-service live genetic and seed preservation cannabis company. The Phenome Licensing Agreement provides the Company with the right to propagate, cultivate, harvest and process a selection of cultivars from Phenome's genetic library, and to sell products of any kind produced from the selected cultivars. The Company is also granted unlimited access to a proprietary nutrient IP and catalogue. Under the Phenome Licensing Agreement, the Company will: (a) issue 1,000,000 common shares of the Company to Phenome upon the Company's successful seed registration in Colombia; and (b) make royalty payments to Phenome each calendar quarter of five percent (5%) of gross sales of products produced from the Phenome genetics. In the event the Company is acquired by a third party or there is a material breach to the Phenome Licensing Agreement, the Company will issue 1,000,000 shares to Phenome. As at June 30, 2020, no amounts have been accrued in relation to the Phenome Licensing Agreement.

Ihuana (Bogota, Colombia)

University agreement

In January 2020, Ihuana entered into a research cooperation agreement (the "University Agreement") with La Fundacion Universitaria de Ciencias de la Salud (The University Foundation of Health Sciences) (the "University") located in Bogota, Colombia. Pursuant to the University Agreement, the parties intend to engage in research and formulation of medicinal products made with non-psychoactive cannabis and cannabis byproducts.

Ihuana and the University will cooperate in the development of scientific investigations related to the medical use of products made with cannabis. The research teams from both groups will work closely to design and execute studies, with the University providing the infrastructure and connections to different researchers and Ihuana supplying various resources, including testing materials. Cost of the research will be negotiated between the two

parties for each individual research product and intellectual property from the study will be divided based on capital input from each side.

The University agrees to enable access and interaction with partner hospitals and research centers that will take part in clinical studies and trials and will allow access to institutional resources to finance research through existing relationships.

R&D facility

In January 2020, Ihuana completed its 2,000 square foot research and development facility in Guasca, Colombia (the "R&D Facility"). The purpose-built R&D Facility will be used for a seed registration program on Ihuana's licensed land. This is a significant step, as it will allow Ihuana to begin the important process of registering the genetics of our high-CBD, low-THC strains of cannabis with the Colombian Agricultural Institute (Instituto Colombiano Agroprecuario, or ICA).

The R&D Facility is located on Ihuana's fully-licensed 2.5-hectare agricultural site located in the Bogotá savannah region of Colombia. This area of Colombia has a fertile landscape that is world renowned for its flower production and exportation. Cannabis plants thrive in the region's mild and stable climate, consistent sunlight (about 12 hours per day year-round) and fertile soil. The Bogotá savannah is also an excellent region for cannabis cultivation due to its strong agricultural infrastructure, low labour costs and proximity to free trade zones and major airports for agricultural exportation.

The R&D Facility uses a market-leading agricultural cover film produced by Ginegar for use in greenhouses. Its unique thermal, mechanical and optical properties make it ideal for protecting crops and enhancing growth. The Company will use an existing structure on the property for non-psychoactive cannabis propagation, cloning and drying.

Key highlights subsequent to June 30, 2020

European joint venture

On July 21, 2020, the Company entered into a binding agreement (the "Franchise Transaction Agreement") with Franchise Cannabis Corp. ("Franchise") to form a joint venture in Europe ("European JV") to sell and market Franchise-manufactured CBD, hemp and cosmetic products in the European Union, Switzerland, Norway and the United Kingdom (the "JV Territory"). Sales of the custom manufactured products will be sold online utilizing the Company's eCommerce infrastructure.

Franchise is a European-focused cannabis and pharmaceutical distribution company based in Germany with two Good Distribution Practices (GDP) certified distribution facilities, exporting to over 18 countries and currently serving a network of over 1,500 pharmacies within Germany for medical cannabis sales.

Pursuant to the Franchise Transaction Agreement, Franchise agreed to make a $500,000 equity investment into the Company through a private placement subscription of $0.28 per unit. Each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase one additional share at a price of $0.38 per warrant share for a period of twenty-four months from their date of issue. The Company will then make a $360,000 equity investment into the European JV, which will be used to develop the business operations of the European JV, including the initial funds to launch the Franchise products in Europe using the Company's eCommerce expertise.

The parties' respective ownership interests in the European JV will be 50/50. Franchise will manage procurement and fulfillment of customer orders from its European manufacturing facilities. The Company will provide marketing and eCommerce operations infrastructure in the JV Territory. The parties will determine the appropriate products to launch sales and marketing initiatives and will provide further details in the coming weeks.

The establishment of the European JV is subject to Franchise making the $500,000 investment in the Company and the Company purchasing a 50% interest in the European JV for $360,000, which have not been completed as at the date of this report.

Golden Path and Wild Mariposa acquisitions

On August 19, 2020, the Company acquired Golden Path LLC ("Golden Path") and Wild Mariposa LLC ("Wild Mariposa"). Golden Path and Wild Mariposa are arms-length privately held companies involved in the online marketing and distribution of consumer health products.

Golden Path and Wild Mariposa are direct-to-consumer eCommerce brands selling a range of natural health products, including nutraceutical and hemp-based CBD products within the United States. Every product manufactured is third-party tested for purity and manufactured in the United States in GMP certified facilities. Both brands are current clients of Unified Funding, LLC which is contracted to perform a number of eCommerce business operations for the Company.

The acquisitions will expand the Company's portfolio in the nutraceutical and hemp-based CBD product space.

In consideration for acquisition of all of the outstanding membership interests in Golden Path and Wild Mariposa the Company issued 11,544,400 common shares and 15,055,600 common shares to the existing members of Golden Path and Wild Mariposa, respectively.

The Company has paid an administrative fee of 266,000 common shares of the Company to a consultant who assisted with the transactions.

The Company is currently assessing its accounting treatment of the Golden Path and Wild Mariposa acquisitions, including the evaluation and fair value measurement of consideration paid, assets acquired and liabilities assumed.

Software acquisition

On August 22, 2020, the Company, through its wholly-owned US subsidiary, Ecommerce Tech LLC, acquired the rights to an eCommerce software platform (the "Software") from Unified Funding LLC's wholly-owned subsidiary, Offer Space LLC ("Offer Space").

Prior to the Software acquisition, the Software was being used by the Company's Nature's Exclusive brand, and by the newly acquired brands, Golden Path and Wild Mariposa, through service agreements with Offer Space. The acquisition of the asset provides the Company with the opportunity to capture previously unrealized value from the products it launches in the online natural health market.

The Software has facilitated over Cdn$350 million in consumer transactions, including Cdn$93.8 million in 2019. The asset will enhance the management of the Company's already profitable online brands, and will allow the Company to launch new products and enter into emerging natural health markets worldwide, more efficiently. In addition to providing immediate value to the existing brands owned and operated by Thoughtful Brands, the newly acquired eCommerce platform is expected to reduce current operating costs.

The Company acquired the Software in consideration for US$1,000,000, through issuing 6,290,170 common shares of the Company. The Company paid an administrative fee of 62,902 common shares of the Company to a consultant who assisted with the transactions.

The Company is currently assessing its accounting treatment of the Software acquisition, including the evaluation and fair value measurement of consideration paid, assets acquired and liabilities assumed.

Key highlights from April 12, 2019 to December 31, 2019

Reverse takeover and acquisition of Ihuana

On November 28, 2019, the Company completed the acquisition of all of the issued and outstanding shares of a private company, NNZ Consulting Corp. ("NNZ"), through a reverse takeover transaction (the "RTO Transaction"), resulting in the name change to Mota Ventures Corp. The net assets of the Company at the date of the RTO Transaction are deemed to have been acquired by NNZ. Accordingly, this report include the results of operations of the company from November 28, 2019.

Pursuant to the RTO Transaction, the Company completed a subscription receipt financing (the "Financing") of 12,196,249 units ("Units") at a price of $0.30 per Unit for gross proceeds of $3,658,875. Each Unit consisted of one common share, and one common share purchase warrant, each of which exercisable at $0.50 until November 29, 2021.

On June 12, 2019, NNZ completed its purchase of Ihuana S.A.S. ("Ihuana"), a Colombian company incorporated on January 25, 2017.

Colombian Operations

License

Through Ihuana, the Company currently holds the "Cannabis Non-Psychoactive Cultivation License" (the "Colombian License"), which is granted by the Colombia Ministry of Justice in April 2018 and is intended for authorizing production and cultivation of cannabis grain, derivatives fabrication, industrial or scientific purposes, or for storage and final disposition. The Colombian License grants the Company the right to cultivate non-psychoactive cannabis plants for: (a) seed sowing production; (b) crops; and (c) scientific purposes. In addition, it grants the Company the right to manufacture and export non-psychoactive cannabis derivatives and extracts. The Company is not subject to any quotas for production under the Colombian License.

Duration of License

The Colombian government grants the Colombian License, when the applicant fulfills the general criteria described in the article 2.8.11.2.1.5 of the Decree, and the specific requirements for each type of license. The

license validity is up to five (5) years. The Colombian government maintains the right to monitor the activities performed by the corresponding licensee.

Approval from Instituto Colombiano Agropecuario (Colombian Agricultural Institute)

The Company has received approval from the Instituto Colombiano Agropecuario or the Colombian Agricultural Institute (the "ICA"), which means that the Company has been certified to begin cultivating non-psychoactive cannabis. The Company has one registered cultivar with the ICA, which is "*IH1".*

Lease

As at the date of this report, the Company has entered into a lease agreement for the Guasca land effective July 1, 2019. The Company has specifically located its cultivation and operations in close proximity to a free trade zone. The land is 2.5 hectares of flat, cleared grass fields located in the town of Guasca, approximately 55 km or 1.5 hours from Bogota, the capital city of Colombia. The location allows for quick access to Colombia's largest business center and is in a safe and secure area. The lease payment is COP 10,000,000 (or approximately $3,900) per month, expiring in May 2024, with a renewal option.

Summary of Quarterly Results

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Period from April 12, 2019 to June 30, 2019
Revenue	$ 12,842,934	$ 7,652,752	$ -	$ -	$ -
Cost of goods sold	11,293,727	7,047,602	-	-	-
Gross margin	1,549,207	605,150	-	-	-
Operating expenses	(7,969,028)	(5,739,960)	(10,559,330)	(157,228)	(144,359)
Total comprehensive loss for the period	(6,673,786)	(4,631,227)	(10,614,400)	(157,228)	(144,359)
Basic and diluted loss per share	(0.04)	(0.05)	(0.19)	(0.00)	(0.01)

In Q4 2019, loss increased to $10,614,400 as compared to the previous quarter after giving effect to the RTO Transaction. In Q1 and Q2 2020, revenue and cost of goods sold mainly derived from sales from the Nature's Exclusive brand. Gross margin in Q2 2020 increased to 12% due to increased efficiencies in operations and increased customers acquired due to online marketing campaigns in the current period. Operating expenses increased in Q2 2020, due to $1,411,579 share-based compensation recognized from the grant of stock options in Q2 2020. Operating expenses also increased due increased marketing fees in the quarter, and fees paid to key personnel for services rendered from 2019 to the Q2 2020, which were not accrued in previous quarters.

Results of Operations

Three months ended June 30, 2020

During the three months ended June 30, 2020, the Company recorded revenue of $12,842,934 which was primarily due to the operations of Nature's Exclusive, and a loss and comprehensive loss of $6,673,786.

Loss and comprehensive loss for these periods were primarily due to the following expenses:

- Cost of goods sold of $11,293,727 during the three months ended June 30, 2020. Cost of goods sold included costs for product fulfillment, and eCommerce campaign costs including customer acquisition and risk mitigation technology.

- Advisory and consulting fees of $834,209 during the three months ended June 30, 2020. Advisory and consulting fees included consulting services rendered to assist the various acquisitions, and monthly consulting fees for Vancouver office management, U.S. operations and Colombia operations. Advisory and consulting expenses increased due to increased services received for due diligence and capital markets advisory. The increase was also due to fees paid to the President and Director for services rendered in 2019 to Q2 2020 for their management and due diligence services that were not accrued in the prior periods. See related party note below.

- Customer service fees of $659,760 during the three months ended June 30, 2020. Customer service fees were incurred from the operation of Nature's Exclusive, and remain proportional to the revenue generated from the Nature's Exclusive brand.

- Marketing, advertising and promotional fees of $997,281 during the three months ended June 30, 2020. These fees primarily consist of electronic advertising services, online marketing services and investor relations media services for the current period.

- Professional fees of $347,518 during the three months ended June 30, 2020. Professional fees primarily included legal fees, due diligence fees, and audit fees. The Company anticipates higher spending on legal and accounting fees as the Company works to acquire additional revenue producing CBD and natural health products brands and operations in both Europe and North America.

- Share-based compensation of $1,411,579 during the three months ended June 30, 2020. These are due to 7,995,000 share options granted to the Company's officers, directors and consultants during the current period.

- Transaction costs of $3,116,609 during the three months ended June 30, 2020. These are one-time costs related to finders' and administrative success fees for the acquisition of Verrian and of Folium shares during the current period.

Six months ended June 30, 2020

The following is a summary of results for the six months ended June 30, 2020.

	Six months ended June 30, 2020
Revenue	$ 20,495,686
Cost of goods sold	18,341,329
Gross margin	2,154,357
Operating expenses	(13,708,987)
Total comprehensive loss for the period	(11,305,013)
Basic and diluted loss per share	(0.09)

During the six months ended June 30, 2020, the Company recorded revenue of $20,495,686 which was primarily due to the operations of Nauture's Exclusive, and a loss and comprehensive loss of $11,305,013.

Loss and comprehensive loss for these periods were primarily due to the following expenses:

- Cost of goods sold of $18,341,329 during the six months ended June 30, 2020. Cost of goods sold included costs for product fulfillment, and eCommerce campaign costs including customer acquisition and risk mitigation technology. Gross margin during the six months ended June 30, 2020 was 10% of revenue.

- Advisory and consulting fees of $1,004,502 during the six months ended June 30, 2020. Advisory and consulting fees included consulting services rendered to assist the various acquisitions, and monthly consulting fees for Vancouver office management, U.S. operation and Colombia operations. Advisory and consulting expenses increased due to increased services received for due diligence and capital markets advisory. The increase was also due to fees paid to the President and Director for services rendered in 2019 to Q2 2020 for their management and due diligence services that were not accrued in the prior periods. See related party note below.

- Customer service fees of $944,190 during the six months ended June 30, 2020. Customer service fees were incurred from the operation of Nature's Exclusive, and remain proportional to the revenue generated from the Nature's Exclusive brand.

- Marketing, advertising and promotional fees of $1,404,748 during the six months ended June 30, 2020. These fees primarily consist of electronic advertising services, online marketing services and investor relations media services for the current period.

- Professional fees of $999,956 during the six months ended June 30, 2020. Professional fees primarily included legal fees, due diligence fees, and audit fees. The Company anticipates higher spending on legal and accounting fees as the Company works to acquire additional revenue producing CBD and natural health products brands and operations in both Europe and North America.

- Share-based compensation of $1,411,579 during the six months ended June 30, 2020. These are due to 7,995,000 share options granted to the Company's officers, directors and consultants during the current period.

- Transaction costs of $6,973,114 during the six months ended June 30, 2020. These are one-time costs related to finders' and administrative success fees for the acquisition of Nature's Exclusive, Sativida, Verrian and Folium shares during the current period.

Statement of Financial Position

Total assets as at June 30, 2020 was $92,496,226, which primarily consist of current assets of $7,532,776 and long term assets of $84,963,450.

	As at June 30, 2020	As at December 31, 2019
Cash	$ 342,803	$ 2,687,976
Amounts receivable	6,009,581	51,118
Prepaid expenses and deposits	1,113,264	288,717
Inventory	67,128	-
Assets held for sale	-	20,000
	$ 7,532,776	$ 3,047,811

- The change in cash during the six months ended June 30, 2020, was primarily the result of $5,734,373 used in operating activities, $1,959,300 paid as consideration for Nature's Exclusive, $150,000 paid as consideration for Verrian, $220,812 cash acquired from business acquisitions, $90,000 received for the disposal of a legacy property, $4,386,658 received from private placements net of cash share issue costs, and $874,548 received from exercise of warrants.
- Amounts receivable was comprised primarily from amounts receivable from credit card processors for sales made to customers, and related to the Nature's Exclusive brand.
- Prepaid expenses and deposits of $1,113,264 was primarily from prepaid consulting, advertisement, and promotion fees and for deposit on the Choconta land in Colombia.
- Inventory of $67,128 was for finished goods inventory held.

	As at June 30, 2020	As at December 31, 2019
Notes receivable	$ 2,093,217	$ -
Property, plant and equipment	8,494,512	224,359
Marketable securities	8,400,000	-
Intangible assets	28,846,560	414,544
Goodwill	37,129,161	-
	$ 84,963,450	$ 638,903

- Notes receivable of $2,093,217 was for advances made to companies which provide product fulfillment, customer acquisition services and risk mitigation technology to the Nature's Exclusive brand prior to the Company's acquisition of the brand. No new advances were made subsequent to the Company acquiring Nature's Exclusive.

- Property, plant and equipment of $8,494,512, which represents the Radebeul, Germany facility acquired during the Verrian Transaction, and the right-of-use assets for the Vancouver office lease and Guasca land lease.
- Marketable securities relate to Folium shares acquired by the Company during the current period.
- Intangible assets of $28,846,560 represent the Colombian License, and acquired Nature's Exclusive and Sativida brands; and
- Goodwill of $37,129,161, acquired from the acquisition of Nature's Exclusive, Sativida and Verrian.

Due to the timing of this acquisition of Nature's Exclusive, Sativida, Verrian and Folium shares, the purchase price allocation for the acquisitions during the six months ended June 30, 2020 is provisional. The fair value assigned to the consideration paid, intangible assets and net assets acquired is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

Total liabilities as at June 30, 2020 was $6,145,230, which consist of the following.

	As at June 30, 2020	As at December 31, 2019
Amounts payable and accrued liabilities	$ 3,012,190	$ 648,838
Consideration payable	2,818,119	-
Loan payable	25,000	25,000
Short term lease	77,581	89,669
Long term lease	212,340	145,583
	$ 6,145,230	$ 909,090

- Amounts payable and accrued liabilities include $1,905,000 of mortgage payable for the Radebeul, Germany facility due in December 2020.
- Consideration payable include US$1,500,000 due for the acquisition of Nature's Exclusive and $950,000 due for the acquisition of Verrian.

Liquidity, Going Concern and Capital Resources

The Company's ability to continue on a going concern basis depends on economic stability and management's capacity to identify additional sources of capital and to raise sufficient resources to fund its current expenditures and its future plans. The Company's ability to raise cash depends on capital market conditions, commodities prices, and the results of potential projects. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Actual funding requirements may vary from those planned due to a number of factors. The uncertainty of the Company's success in raising additional capital funding may cast significant doubt on the Company's ability to continue as a going concern.

The Company has no bank debt or banking credit facilities in place. The Company's mortgage of $1,905,000 for the Radebeul, Germany facility is held with a private funding group.

As at June 30, 2020, the Company had cash on hand of $342,803 (December 31, 2019: $2,687,976) and working capital of $1,599,886 (December 31, 2019: $2,923,207). During the six months ended June 30, 2020, the Company incurred a net loss of $11,429,780 and total comprehensive loss of $11,305,013, and at June 30, 2020, the Company has not achieved profitable operations, has accumulated net losses of $22,345,767 since inception. The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

The Company's liquidity needs for the next twelve months are expected to be met by cash on hand, cash generated from operations of Nature's Exclusive and Sativida in addition to raising funds through a variety of sources including additional equity subscriptions, such as private placements or through the exercise of warrants and options. The Company's management will continue to pursue further sources of equity financing to continue its current operations and potential acquisitions. There is no assurance that the Company will be successful in obtaining the funds it may require for its operations or that the terms of any financing obtained will be acceptable. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Off Balance Sheet Arrangements

As at June 30, 2020, there were no off-balance sheet arrangements to which the Company was committed.

Related Party Transaction and Balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. All related party transactions are incurred in the normal course of business at their exchange value.

During the six months ended June 30, 2020, the Company incurred the following related party transactions:

		June 30, 2020
Transactions:		
Share based compensation		
Directors and former director	**$**	**344,288**
President and Director		**70,623**
Chief Executive Officer		**176,558**
Chief Financial Officer		**26,484**
		617,953
Consulting fees and salaries		
Director		**280,000**
President and Director		**235,000**
Chief Executive Officer		**42,328**
		557,328
	$	**1,175,281**

The Company had the following related party balances:

		June 30, 2020		December 31, 2019
Balances:				
Due to related parties: a former director and former Chief Executive Officer, or company controlled by him	**$**	**8,250**	$	8,250
Amounts payable and accrued liabilities:				
President and Director		**-**		77,051
Chief Executive Officer		**5,305**		-
Commitment to issue shares: Former Director - NNZ		**-**		100,000
	$	**13,555**	$	185,301

As at June 30, 2020, the Company owed $8,250 (December 31, 2019: $8,250) to a former director and former Chief Executive Officer of the Company and to a company controlled by this person. The loan was provided as working capital, and included in amounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and with no fixed repayment terms.

As at June 30, 2020, the Company owed $5,305 (December 31, 2019: $nil) to the Chief Executive Officer for accrued expenses, which were included in amounts payable and accrued liabilities. The amount owed to the Chief Executive Officer of the Company is non-interest bearing, unsecured, and with no fixed repayment terms.

During the six months ended June 30, 2020, the Company issued 250,000 shares to settle consulting fees of $100,000 owed to a former director of NNZ.

Financial Instruments and Other Instruments

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments include cash, amounts receivable, notes receivable, amounts payable and accrued liabilities, and loan payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. The fair value of these financial instruments approximates their carrying value because of the current nature.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- 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 (i.e.: As prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of amounts payable and accrued liabilities, amounts due to related parties and loan payable approximate their respective fair values due to the short term nature of these instruments.

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is has exposure to the U.S. dollar, Colombian peso, and Euro, through its investments in foreign operations. Consequently, fluctuations in the Canadian dollar exchange rate against these currencies increase the volatility of net loss and other comprehensive loss. The Company has not entered into any foreign currency contracts to mitigate this risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. Changes in short-term interest rates would not have a significant effect on the Company.

(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. As at June 30, 2020, the Company has cash of $342,803, which is held at a highly rated Canadian, US and German banks and the Company considers the credit risk to be minimal.

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The maximum credit exposure at June 30, 2020 is the carrying amount of cash, amounts receivable and notes receivable. The Company does not have significant credit risk with respect to customers as it primarily sells to individual end users of clients that have a low transaction value and payment is conducted at the time of purchase. In relation to sales in the USA, the Company reduces its credit risk on cash by maintaining its operating bank account at a large international financial institution. The use of independent business operators ("IBO's") and multiple merchant accounts with the IBO's for the benefit of the Company also reduces credit risk as the Company does not have all of its merchanting with a single bank or single merchant account.

(iv) Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and expansion activity. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's acquisitions and operations. The Company's amounts payable and accrued liabilities, and loan payable are all current and due within 90 days to one year of the statement of financial position date. As at June 30, 2020 the Company had working capital of $1,599,886.

Share Capital

As at June 30, 2020, there were:

- 210,195,805 common shares issued and outstanding;
- 32,171,057 share purchase warrants issued and outstanding;
- 12,765,000 share options issued and outstanding; and
- 12,235,874 common shares held in escrow.

As at the date of this report, there were:

- 243,773,833 common shares issued and outstanding;
- 31,871,057 share purchase warrants issued and outstanding;
- 12,765,000 share options issued and outstanding; and
- 12,235,874 common shares held in escrow.

Risks and Uncertainties

The risks and uncertainties described below are not exhaustive. Additional risks not presently known or currently deemed immaterial may also impair the Company's business operation. If any of the events described in the following business risks actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected. Additional risks and uncertainties can be found in other public filings of the Company on www.sedar.com.

Compliance with Laws

The Company's operations are subject to various laws, regulations and guidelines that may change over time. The Company will endeavour to comply with all relevant laws, regulations and guidelines at all times but may not maintain internal policies and procedures adequate to ensure compliance with the various laws, regulations and guidelines to which they are subject. There is also a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to, hemp related regulations, various U.S. state and federal regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of government authorities, securities regulators and exchanges, and the Company's operations may not be in compliance with such laws, regulations and guidelines. While the Company may be compliant today, it may not be compliant following changes to any laws, regulations or guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any potential noncompliance could cause the Company's business, financial condition and results of operations to be adversely affected. Further, any amendment to or replacement of applicable rules and regulations governing the Company's activities may cause adverse effects on the Company's business, financial condition and results of operations. The risks to the Company's business associated with any amendment or replacement of applicable laws or any subsequent regulatory changes in Canada, Colombia, the United States and Europe could reduce the available market for products or services and could materially and adversely affect the Company's business, financial condition and results of operations.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. The Company may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, court rulings or more stringent application of existing laws or regulations, may have a material adverse impact on the Company, resulting in increased capital expenditures or production costs or abandonment or delays in the development of facilities, or other significant changes in the Company's business plans, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in any of the countries in which the Company may operate could result in an increase in the Company's taxes, other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company.

International Laws

Hemp-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretations of these laws are unclear, in some jurisdictions, financial benefit, directly or indirectly, arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of such laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a material adverse effect on the Company. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company. Securities litigation could result in substantial costs and damages and divert management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on its financial position.

Operational, Regulatory and Other Risks

The Company may continue to expand into other geographic areas, product categories or market segments, which could increase the Company's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisitions, investment and/or expansion opportunities or integrate such operations successfully with the Company's existing operations.

Regulatory Risks of Acquisitions

Material acquisitions, dispositions and other strategic transactions are subject to varying degrees of approval which include in some, but not all cases, among other things (a) approval of the Company's shareholders; (b) approval of the Canadian Securities Exchange for the listing of new shares; (c) approval of the Supreme Court of British Columbia; and (d) other regulatory approvals. The Company is unable to predict when all required approvals or authorizations will be obtained, if at all.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Ability to Manage Future Growth

The ability to achieve desired growth will depend on the Company's ability to identify, evaluate and successfully negotiate investment opportunities with target companies. Achieving this objective in a cost-effective manner will be a product of the Company's sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to target companies and the Company's access to financing on acceptable terms. Failure to effectively manage any future growth and successfully negotiate suitable investments could have a material adverse effect on the business, financial condition or results of operations of the Company.

Acquisition Strategy and Integration of Acquired Businesses

The Company continues to evaluate strategic acquisition opportunities that have the potential to support and strengthen its business, including acquisitions in United States, Europe and Canada, as part of its ongoing growth strategy. The Company expects to evaluate, negotiate and enter into possible acquisition transactions on an ongoing basis in the future. The Company expects to regularly make non-binding acquisition proposals, and it may enter into non-binding, confidential letters of intent from time to time in the future. The Company cannot predict the timing or size of any future acquisitions. To successfully acquire a significant target, the Company may need to raise additional equity and/or indebtedness, which could increase its leverage level. There can be no assurance that the Company will enter into definitive agreements with respect to any contemplated transaction or that any contemplated transaction will be completed. The investigation of acquisition candidates and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If the Company fails to complete any acquisition for any reason, including events beyond its control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Acquisitions typically require integration of the acquired company. The Company may be unable to successfully integrate an acquired business into its existing business, and an acquired business may not be as profitable as expected or at all. The Company's inability to successfully integrate new businesses in a timely and orderly manner could increase costs, reduce profits or generate losses. Factors affecting the successful integration of an acquired business include, but are not limited to, the following:

- the Company may become liable for certain liabilities of an acquired business, whether or not known to the Company, which could include, among others, tax liabilities, product liabilities, environmental liabilities and liabilities for employment practices, and these liabilities could be significant;
- the Company may not be able to retain local managers and key employees who are important to the operations of an acquired business;
- substantial attention from the Company's senior management and the management of an acquired business may be required, which could decrease the time that they have to service and attract customers;

- the Company may not effectively utilize new equipment that it acquires through acquisitions;

- the complete integration of an acquired company depends, to a certain extent, on the full implementation of the Company's financial and management information systems, business practices and policies; and

- the Company may actively pursue a number of opportunities simultaneously and may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

Acquisitions involve risks that the acquired business will not perform as expected and that business judgments concerning the value, strengths and weaknesses of the acquired business will prove incorrect.

The Company cannot guarantee that it will achieve synergies and cost savings in connection with future acquisitions. Many of the businesses that the Company has acquired and may acquire in the future have unaudited financial statements that have been prepared by management and have not been independently reviewed or audited. The Company cannot guarantee that such financial statements would not be materially different if such statements were independently reviewed or audited. The Company cannot guarantee that it will continue to acquire businesses at valuations consistent with prior acquisitions or that it will complete future acquisitions at all. The Company cannot guarantee that there will be attractive acquisition opportunities at reasonable prices, that financing will be available or that it can successfully integrate acquired businesses into existing operations. In addition, the results of operations from these acquisitions could, in the future, result in impairment charges for any of the Company's intangible assets, including goodwill or other long-lived assets, particularly if economic conditions worsen unexpectedly. The Company's inability to effectively manage the integration of its completed and future acquisitions could prevent it from realizing expected rates of return on an acquired business and could have a material and adverse effect on the Company's financial condition, results of operations or liquidity.

Currency Fluctuations

The Company's revenues and expenses are primarily denominated in U.S. dollars and Euros, and therefore may be exposed to significant currency exchange fluctuations. The Canadian dollar relative to the U.S. dollar, the Euro or other foreign currencies is subject to fluctuations. Fluctuations in the exchange rate between the U.S. dollar and Euro and the Canadian dollar may have a material adverse effect on the business, financial condition or results of operations of the Company. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks. Failure to adequately manage foreign exchange risk could therefore have a material adverse effect on the business, financial condition or results of operations of the Company.

Investments May be Pre-revenue

The Company may make investments in companies with no significant sources of operating cash flow and no revenue from operations. The Company's investments in such companies will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investment in these pre-revenue companies will not be able to meet anticipated revenue targets or generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing which could have a material adverse effect on the business, financial condition or results of operations of the Company.

Enforceability of Judgments Against Foreign Subsidiaries

Certain of the subsidiaries are organized under the laws of the United States, Spain and Colombia with assets located outside of Canada, and certain of the experts that will be retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for the eventual shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S., Spain and Colombia by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S., Spain or Colombia may refuse to hear a claim based on a violation of Canadian provincial 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 the U.S., Spain or Colombia agrees to hear a claim, it may determine that the local law in the U.S., Spain or Colombia, 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 foreign law in such circumstances.

Certain directors and officers of the Company are reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons. Courts in the United States may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a United States court 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.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of CBD remains in early stages. There have been relatively few clinical trials on the benefits of CBD. Although the Company will rely on the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of CBD, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, CBD. Further, the CBD industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the CBD produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of CBD products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the CBD market or any particular product, or consistent with earlier publicity.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to CBD, 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 business, financial condition or results of operations of the Company. There is no assurance that such adverse publicity reports or other media attention will not arise.

Innovation

In the area of innovation, the Company must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Company may not be successful in the development, introduction, marketing, and sourcing of new products that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Competition

The markets for businesses in the CBD and hemp extracts industries are competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies that offer similar products to the Company. Some of the Company's current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases.

Given the rapid changes affecting the global, national and regional economies generally and the CBD industry, in particular, the Company may not be able to create and maintain a competitive advantage in the marketplace. The Company's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. The Company's success will depend on its ability to compete in an environment when many competitors do not adhere to FDA and/or other federal, state and international rules, law and/or guidelines. The Company's success will also depend on its ability to respond to, among other things, changes in the economy, market conditions, and regulatory and competitive pressures. Any failure to anticipate or respond adequately to such changes could have a material adverse effect on the Company's financial condition, operating results, liquidity, cash flow and operational performance.

Reliance on Licenses

In addition, the Company's ability grow its business is dependent on securing and maintaining certain new licences in international jurisdictions. Failure to comply with the requirements of any licence application or failure to obtain and maintain the appropriate licences with the relevant authorities could have a material adverse impact on the Company's business, financial condition and results of operations. There can be no guarantees that regulatory authorities will issue the required licences.

Colombian License

The licensing and regulations around the licensing, may change based on the legislation in the Colombian government. As this is a new industry, the government may decide to revise laws currently in place in Colombia. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

The Company's ability to grow, store and sell hemp and CBD products in Colombia is dependent on the Company's ability to sustain or obtain the necessary licenses and authorizations by certain authorities in Colombia, including, but not limited to, the Colombian License. The licenses and authorizations are subject to ongoing compliance and reporting requirements, and the ability of the Company to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Company may be curtailed or prohibited from the production or distribution of hemp or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Company may be materially adversely affected.

Intellectual Property

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon copyrights, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defence proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the Company's business, financial condition and results of operations.
In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Product Liability

The Company's products will be produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the manufacture and sale of the Company's products involves 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 other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the 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, and could have a material adverse effect on the business and operational results.

Product Recalls

Product manufacturers and distributors are sometimes required to recall or initiate returns of their products for various reasons, including product defects such as contaminations, unintended harmful side effects or interactions with other products, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled, it could incur unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Company may lose significant revenue due to loss of sales and may not be able to compensate for or replace that revenue. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory actions or lawsuits. A recall of products could lead to adverse publicity, decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition.

Product Returns

Product returns are a customary part of the business. Products may be returned for various reasons, including expiration dates or lack of sufficient sales volume. Any increase in product returns could reduce the results of operations.

Customer Acquisitions

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

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including the Company's ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's brands and products. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Maintaining and Promoting Brands

Management believes that maintaining and promoting the Company's brands is critical to expanding its customer base. Maintaining and promoting the brands will depend largely on the Company's ability to continue to provide quality, reliable and innovative products, which may not be successful. The Company may introduce new products that customers do not like, which may negatively affect the brands and reputation. Maintaining and enhancing the Company's brands may require substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brand or if there are excessive expenses in this effort, the business and financial results from operations could be materially adversely affected.

Changing Consumer Preferences

As a result of changing consumer preferences, many nutraceutical and other innovative products attain financial success for a limited period of time. Even if the Company's products find retail success, there can be no assurance that any of the products will continue to see extended financial success. The Company's success will be dependent upon its ability to price, develop new, and improve product lines. Even if the Company is successful in introducing new products or further developing current products, a failure to continue to properly price or update products with compelling content could cause a decline in the products' popularity that could reduce revenues and harm the business, operating results and financial condition. Failure to introduce new features and product line, or failure to achieve and sustain market acceptance, could result in the Company being unable to meet consumer preferences and generate revenue, which could have a material adverse effect on profitability and financial results from operations.

Obtaining Insurance

Due to the Company's involvement in the hemp industry, it may have a difficult time obtaining the various insurances at normal industry rates that are desired to operate the business, which may expose the Company to additional cost, risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurances in the future, or that the cost will be affordable. If the Company is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Reliance on Third-Party Suppliers and Service Providers

The Company intends to maintain a full supply chain for the material portions of the production process of its products. Despite maintaining full federal compliance and legality, the Company's suppliers and service providers may elect, at any time, to cease to engage in supply or service agreements in respect of the Company's products. Loss of suppliers or service providers could have a material adverse effect on the business and operational results.

The Company has concentrations with respect to supply management. The Company relies on these companies for product fulfillment, customer acquisition services and risk mitigation technology.

Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Company operates with respect to its operations, banking systems and controls, as well as local business culture and practices are different 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 abreast 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, labor, 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 the Company's control. The impact of any such changes may adversely affect the Company's business.

Liquidity and Additional Financing

The Company's continued development may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the Company's 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 favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other 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.

Global Economic Uncertainty

Demand for the Company's products is influenced by general economic and consumer trends and regulatory environments beyond the Company's control. There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general regulatory economic or consumer trends. In particular, global economic conditions are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, such economic conditions have produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continue, the Company might experience reductions in business activity, increased funding costs and funding pressures (as applicable), a decrease in the market price of its shares, a decrease in asset values, additional write-downs and impairment charges and lower profitability.

COVID-19

To the date of this report, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreaks is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Subsequent Events

Subsequent to June 30, 2020, the Company completed various significant transactions as noted in the subsequent event note above. The Company is currently assessing the risks and uncertainties to the Company as a result of these transactions.

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying management's discussion and analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

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