



**BLUMA WELLNESS INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

November 30, 2020

Bluma Wellness Inc. ("Bluma") derives a substantial portion of its consolidated revenues from the medical cannabis industry in the State of Florida, where local state laws permit such industry but is illegal under United States federal law. Bluma is directly engaged in the manufacture, possession, use, sale and distribution of medical cannabis in the State of Florida. Third party service providers could suspend or withdraw services and regulatory bodies could impose certain restrictions on Bluma as a result of Bluma's operating in an industry that is illegal under U.S. federal law. The United States federal government regulates drugs through the Controlled Substances Act (the "CSA") (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The CSA explicitly prohibits the manufacturing, distribution, selling and possession of cannabis and cannabis derived products as a consequence of its Schedule I classification. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication. In the United States, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution and use of cannabis for medical or recreational purposes are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Although Bluma's activities are believed to be compliant with state and local laws, strict compliance with state and local laws with respect to cannabis may not absolve Bluma of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against it. See Sections "Regulation of Cannabis in the United States and in the State of Florida" and "Risk Factors" of this Management's Discussion and Analysis ("MD&A"). On January 4, 2018, then-U.S. Attorney General Jeff Sessions issued a one-page memorandum to U.S. attorneys with the Offices of the United States Attorneys (the "Sessions Memorandum"), which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined in Section "Regulation of Cannabis in the United States and in the State of Florida" of this MD&A). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their investigative and prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. The Sessions Memorandum provided no direction to federal prosecutors as to the priority they should ascribe to cannabis activities, and as a result, it is uncertain how active U.S. federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. Attorney General Sessions resigned on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. The impact of the appointment of Attorney General Barr on U.S. federal government enforcement policy is unclear, however at his confirmation hearing, Attorney General Barr suggested that the United States Department of Justice would not prosecute state compliant marijuana activity. However, Attorney General Barr has left the Sessions Memorandum in place as policy. If the Department of Justice policy under Attorney General William Barr was to aggressively pursue financiers or equity owners of cannabis-related business, and the United States Attorneys followed such Department of Justice policies by pursuing prosecutions, then Bluma could face (i) seizure of its cash and other assets used to support or derived from its cannabis activities, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to medical and/or recreational cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are

repealed or curtailed, Bluma's business, results of operations, financial condition and prospects would be materially adversely affected. See Section "Risk Factors" of this MD&A for additional information on this risk. In light of the political and regulatory uncertainty surrounding the treatment of U.S. marijuana-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352"), as amended, setting out the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with direct, indirect or ancillary involvement in activities including the cultivation, possession or distribution of marijuana in the United States ("U.S. Marijuana-Related Activities"). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. Marijuana-Related Activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. Marijuana-Related Activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. See Sections "Regulation of Cannabis in the United States and in the State of Florida" and "Risk Factors" of this MD&A for further information of the material facts, risks and uncertainties related to U.S. Marijuana-Related Activities.

**BLUMA WELLNESS INC. (formerly, Goldstream Minerals Inc.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**  
November 30, 2020

**General**

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

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

**Forward-looking statements**

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

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

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

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

### **Description of Business**

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

### **Reverse Acquisition**

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

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

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

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

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

## **Operational Highlights**

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

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

The Company, through its wholly-owned subsidiary, 3 Boys Farm, LLC (d/b/a One Plant Florida) ("One Plant Florida"), conducts licensed operations to cultivate, process and dispense medical cannabis in the State of Florida in accordance with Florida state law. One Plant Florida is one of the original 14 vertically-integrated and licensed MMTCs in Florida that operate from "seed to sale" pursuant to Florida Statutes section 381.986. One Plant Florida's MMTC license was originally granted on July 31, 2017.

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

The Company, through its wholly-owned subsidiary, 3 Boys Farm, LLC (d/b/a One Plant Florida) owns and operates the Indiantown Facility, another cultivation, processing and manufacturing facility located on a thirty-three (33) acre parcel of land in Indiantown, Florida. On March 29, 2019, One Plant Florida received OMMU approval to process medical cannabis at the Indiantown Facility and began operating a 2,500 square foot processing, extraction and distillation laboratory to create THC and low-THC distillates and oils, as well as cannabis flower (sold in varying sizes from one-eighth of an ounce to full ounce) and pre-rolled cannabis flower joints (0.5 gram and 1 gram units, respectively).

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

One Plant Florida intends to expand the Indiantown Facility by constructing a new, state-of-the-art 88,327 square foot indoor facility that will be used for cultivation, processing and manufacturing, and for lab and kitchen operations. The new indoor facility will be located on One Plant Florida's existing Indiantown, Florida property, directly adjacent to the Greenhouse. The expansion of the Indiantown Facility will provide: (i) a tilt wall building for the indoor growing, trimming and curing of medical cannabis; (ii) a kitchen lab for manufacturing edible products; (iii) a lab for distillate manufacturing; (iv) production, trim and packaging areas; and (v) a shipping and receiving area for distribution to delivery hubs throughout the State of Florida. The total cost of the construction and development of the expansion of the Indiantown Facility is expected to be between \$10 million and \$15 million and will be funded, in part, with the proceeds of the Construction Loan Financing. The indoor facility will include individual flowering rooms, post-harvest processing rooms, advanced curing rooms, and storage and administrative space. One Plant Florida anticipates that the expansion of the Indiantown Facility will be in operation on or before April 1, 2021, subject to the receipt of all required regulatory approvals from the OMMU, as well as the completion of Good Manufacturing Practices certification. Once all facilities at the Indiantown Facility are fully operational, the facility is expected to produce approximately 15,000 pounds of cannabis per year.

In early July 2019, One Plant Florida commenced home deliveries throughout Florida with a fleet of 13 delivery vehicles. One Plant Florida plans to open 16-18 retail dispensaries and/or dispensary hubs statewide by December 31, 2021. One Plant Florida opened its first retail/delivery hub location in Boynton Beach, Florida on November 6, 2019, followed by its retail/delivery hub location in Jacksonville Beach, Florida on March 6, 2020, a retail/delivery hub location in St. Petersburg, Florida on April 17, 2020, retail/delivery hub location in Port St. Lucie, Florida on June 26, 2020, a retail/delivery hub location in Ocala on September 24, 2020 and a retail/delivery hub location in Avon Park, Florida on October 15, 2020. One Plant intends to open one (1) additional retail dispensary and/or dispensary hub location in Fern Park, Florida (Greater Orlando) on December 21, 2020 (subject to the receipt of all required approvals from the OMMU). Locations scheduled to follow in Q1 2021 are in order: Bonita Springs, Florida, North Miami, Florida and Tallahassee, Florida. All retail dispensaries and dispensary hubs are expected to carry a diversified range of cannabis and cannabis-related products including cannabis flower, pre-rolled cannabis flower joints, distillate products, solvent-less hash and concentrates, balms and tinctures. One Plant Florida will continue its strategic focus on delivery of medical cannabis through its dispensary hubs and by increasing the number of delivery vans assigned to each location. One Plant Florida expects to provide 24-hour delivery timing throughout the State of Florida by the first quarter of 2021.

### **Selected Financial Information**

Key financial statement items are summarized in the tables below:

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
	(\$)	(\$)	(\$)	(\$)
Revenue	3,133,811	151,027	6,368,034	151,027
Net loss	336,970	(4,385,141)	(15,046,258)	(9,050,364)
Net loss per Share	\$ 0.00	\$ (0.05)	\$ (0.16)	\$ (0.13)

	As at September 30, 2020	As at December 31, 2019
	(\$)	(\$)
Total assets	95,734,167	81,703,317
Working capital (deficit)	(6,482,719)	(13,354,455)
Total non-current financial liabilities	24,320,648	14,305,577
Cash dividends declared	Nil	Nil

## **Results of Operations**

### *Revenue and cost of sales*

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

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
	(\$)	(\$)	(\$)	(\$)
Revenue	3,133,811	151,027	6,368,034	151,027
Cost of sales	(4,484,196)	(2,431,125)	(10,324,509)	(2,431,125)
Revenues less cost of sales before fair value adjustments	(1,350,385)	(2,280,098)	(3,956,475)	(2,280,098)

For the nine-months ended September 30, 2020, all revenues were earned in the State of Florida.

During the three and nine months ended September 30, 2020, total revenues increased by \$2,982,784 and \$6,217,007 from the prior year's comparable periods. Cost of sales (which include cost of inventory sold, inventory impairment, production salaries and wages, and production supplies and expense) were \$4,663,110 during the quarter and represents an increase of \$3,485,907 sequentially over the first quarter. The increase is attributable to a \$1,764,839 inventory impairment adjustment as a result in a change in estimate, higher initial costs due to the opening of the new Indiantown growing and processing facility and the coast to open and staff new retail locations.

### *Biological assets*

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

	For the nine months ended September 30, 2020 \$
Biological assets, beginning balance	768,206
Changes in fair value less costs to sell due to biological transformation	10,368,007
Transferred to inventory upon harvest	(9,498,027)
Biological assets, ending balance	1,638,257

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

- The average number of weeks in the growing cycle is 14.2 weeks from propagation to harvest;
- The average harvest yield of whole flower is 115 grams per plant;
- The average selling price of whole flower is \$9.85 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be \$1.00 per gram: and

e. Selling costs include shipping, order fulfillment, and labelling, estimated to be \$3.50 per gram.

The estimates of selling price, growing cycle, harvest yield, and costs per gram are based on the Company's historical results. Management has quantified the sensitivity of the inputs, and determined the following:

- a. Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by \$150,045 (December 31, 2019 - 50,925).
- b. Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by \$81,912 (December 31, 2019 - 38,911).
- c. Average days to grow – an increase in the average days to grow by 5% would result in the biological asset value decreasing by \$11,061 (December 31, 2019 - 37,857).
- d. Processing costs per gram – an increase in the cost per gram by 5% would result in the biological asset value decreasing by \$15,310 (December 31, 2019 - 4,312).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. As of September 30, 2020, the biological assets were on average, 51.2% (December 31, 2019 - 50%) complete based on the number of days remaining to harvest, and the estimated fair value less costs to sell of dry cannabis was \$1,638,257 (December 31, 2019 - \$768,206). As of September 30, 2020, it is expected that the Company's biological assets will ultimately yield approximately 454,816 grams of cannabis (December 31, 2019: 561,588 grams).

#### Expenses

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

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Amortization and depreciation	1,151,405	2,241,642	(1,090,237)	-95%
Professional fees	644,874	836,896	(192,022)	-30%
General and administrative	3,496,664	4,500,965	(1,004,301)	-29%
Transaction costs	-	2,759,340	(2,759,340)	0%
Finance expense	2,033,053	3,285,509	(1,252,456)	-62%

Expenses such as amortization and depreciation, professional fees, general and administrative expenses and finance expense, decreased significantly during the three months ended September 30, 2020 over the prior year. The decrease is attributable to the conversion of debt into shares and cost reduction programs to manage expenses.

### **Summary of Quarterly Results**

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

	<b>30-Sep-20</b>	<b>30-Jun-20</b>	<b>31-Mar-20</b>	<b>31-Dec-19</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Revenue	3,133,811	2,121,843	1,112,380	650,847
Net loss	336,290	(7,898,894)	(7,483,686)	4,058,171
Net loss per Share, basic and diluted	0.00	(0.09)	(0.09)	(0.05)

	<b>30-Sep-19</b>	<b>30-Jun-19</b>	<b>31-Mar-19</b>	<b>31-Dec-18</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Revenue	151,027	-	-	-
Net loss	(4,528,929)	2,926,703	591,581	8,030,799
Net loss per Share, basic and diluted	(0.06)	(0.04)	(0.01)	(0.13)

### **Liquidity and Capital Resources**

The Company's total cash balance as at September 30, 2020 was \$293,963. For the nine months ended September 30, 2020, cash flows used in operating activities were \$6,186,592 due to the Company's efforts to deploy capital into production of inventory, lease deposits and other working capital items. The Company expects improvements to operating cash flow as sales increase with the number of new retail locations opened.

As at September 30, 2020, the Company's total working capital deficit was \$6,482,719. The construction loan consists of a five-year \$15,000,000 loan, with year one interest only on the amount outstanding, future advances not to exceed \$20,000,000 in total, and an interest rate of 13.5%. The construction loan is secured by a mortgage and other commercially-common security interests and instruments, in accordance with the general security agreement.

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

On April 17, 2020, the Company's construction loan was amended and restated to, among other things, provide for an additional advance of \$5,000,000 (the "Bridge Loan") that had not otherwise been contemplated under the original disbursement schedule of the Construction Loan. The Bridge Loan bears an interest rate of 19.0% per annum and matures on the earliest of: (i) June 30, 2021, (ii) the sale of the Company's Ruskin facility, and (iii) the occurrence of an event of default (as set out in the amended and restated construction loan agreement). The lender is not obligated to advance and disburse any further amounts under the construction loan until the Bridge Loan has been repaid in full. In October 2020, the Bridge loan facility was amended to allow for an additional \$4 million in borrowing, which Bluma subsequently drew from the lender. As of November 30, 2020, the total Bridge loan balance was \$9 million.

In connection with the construction financing, the Company is required to comply with certain financial covenants. As September 30, 2020, the Company was in default with certain covenants. The Company subsequently obtained a waiver of default from the lender through an amended agreement that also restated the future covenants.

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

and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets.

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

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

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

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

### **Related Party Transactions**

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

Amounts due to related party consisted of:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Advances to (from) SOL Global Investments Corp.	(5,396,877)	(14,633,915)
Note receivable (i)	6,740,542	9,913,333
Other receivable (ii)	1,420,000	1,420,000
<b>Due from (to) SOL Global Investments Corp.</b>	<b>2,763,665</b>	<b>(3,300,582)</b>

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

Included in this balance are the following:

*i. Note receivable*

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

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

3. One Hundred Sixty Thousand Dollars (\$160,000) per month commencing on July 15, 2020 and continuing on the fifteenth day of each month thereafter until this Note is fully paid; and

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

One year from the Effective Date of this Note (the "Maturity Date"), all amounts of unpaid principal and accrued but unpaid interest then outstanding hereunder shall be due and payable. As of September 30, 2020, \$6,740,542 (December 31, 2019: \$9,913,333) remains outstanding.

*ii. ECD advance*

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

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

	September 30, 2020	December 31, 2019
	\$	\$
Note payable (note 14)	(3,520,449)	(3,165,161)
Convertible debenture (note 15)	-	-
	<u>(3,520,449)</u>	<u>(3,165,161)</u>

Key management includes the Company's directors and members of the executive management team. Total cash compensation of key management personnel and directors was approximately \$389,272 and \$751,347 for the three and nine months ended September 30, 2020 (September 30, 2019: \$nil and \$nil). Total share-based compensation in the form of restricted share units of key management personnel and directors for the three and nine months ended September 30, 2020 was \$1,511,667 and \$2,424,185 (September 30, 2019 – \$nil and \$nil).

**Contractual Obligations and Commitments**

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

	Less than 1 Year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	7,546,361	-	-	-	7,546,361
Note payable	168,381	6,259,545	-	-	6,427,926
Convertible debenture		627,699	-	-	627,699
Construction loan	7,141,279	-	-	-	7,141,279
<b>September 30, 2020</b>	<u>14,856,021</u>	<u>6,887,244</u>	<u>-</u>	<u>-</u>	<u>21,743,265</u>

### **Outstanding Share Data**

The following table presents the fully diluted shares outstanding at November 29, 2020.

Common Shares	155,732,604
RSU's	9,675,000
Construction lender warrants	7,480,238
<b>Fully diluted shares outstanding</b>	<b>172,887,842</b>

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

See *note 3* of the Financial Statements for the three and nine months ended September 30, 2020 and 2019 for more information.

### **Financial Instruments**

See *note 19* of the Financial Statements for the three and nine months ended September 30, 2020 and 2019 for more information.

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

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

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

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

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

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

As of the date of this MD&A, the medical use of cannabis is legalized in 35 states, four out of five permanently inhabited U.S. territories, and the District of Columbia. Thirteen other states have also enacted laws that limit THC content, for the purpose of allowing access to products that are rich in CBD. The recreational use of cannabis is legal in 15 states, the District of Columbia, the Northern Mariana Islands, and Guam.

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

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

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

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed.

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

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

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

The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding enforcement of federal laws in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult-use markets across the U.S. On November 7, 2018, U.S. Attorney General Jeff Sessions resigned. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memo." Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the

timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

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

The Secure and Fair Enforcement Banking Act (the “SAFE Act”) was introduced in the U.S. House of Representatives on March 7, 2019 and is proposed legislation regarding the disposition of funds gained through the cannabis industry in the United States. The SAFE Act, if passed and signed into law, would operate to provide a safe harbor to banks who wish to serve the cannabis marketplace. The bill was passed by the House of Representatives on September 25, 2019. While there is strong public and legislative support for its passage, there can be no assurance that it will be passed in its current form or at all.

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

## **Florida**

### *Florida Regulatory Landscape*

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

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

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

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

### *Issuer Licenses in Florida*

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

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

### *Florida Licenses and Regulations*

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

License holders are only permitted to hold one MMTC license pursuant to the State of Florida Statutes. However, each license allows for the cultivation, processing and dispensing of medical cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries statewide. However, with each additional 100,000 patients that registered for the program, the dispensary cap for each MMTC increased by five dispensaries. On April 1, 2020, the cap on the number of dispensaries that could be opened and operated by a license holder expired. As of November 20, 2020, there were 443,534 qualified patients with an approved medical ID card, 22 approved MMTCs and 293 approved retail dispensing locations.

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

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

Under its license, One Plant Florida is permitted to sell cannabis to those patients who are entered into Florida's electronic medical marijuana use registry by a qualified physician and possess a state-issued medical marijuana identification card. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and number of milligrams per day a patient is able to obtain under the program. The physician may order a certification for up to three 70-day supply limits of marijuana, following which the certification expires and a new certification must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical cannabis) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction.

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

#### *Florida Reporting Requirements*

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

#### *Florida Security and Transportation*

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

Cannabis must be stored in a secured, locked room or a vault. A MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system. The manifest must include the following information: (i) departure date and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name

and signatures of the MMTC delivery employees. Further, a copy of the transportation manifest must be provided to the MMTC when receiving a delivery. Each MMTC must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must always have their employee identification on their person. Lastly, at least two people must be in a vehicle transporting cannabis, and at least one person must remain in the vehicle while the cannabis is physically delivered.

#### *Florida Inspections*

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

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

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

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

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

### **Risk Factors**

There are various risk factors that could cause the Company's future results to differ materially from those described in this MD&A. The risks and uncertainties described in Section 17 – Risk Factors of the Company's statement dated June 11, 2020 (the "Listing Statement") are those the Company currently believes to be material.

The following are certain risk factors relating to the business of Bluma which may cause future results to differ materially from those currently anticipated by management of Bluma. These risks and uncertainties are not the only ones facing Bluma. Additional risks and uncertainties, including those not presently known to Bluma, or those which Bluma currently deems immaterial, may also adversely affect Bluma. If any of the following risks actually occur: (i) Bluma Shareholders could lose all or part of their investment; (ii) the business, financial condition, liquidity, results of operations and prospects of Bluma could be materially adversely affected; and (iii) the ability of Bluma to

implement its growth plans could be adversely affected.

## **Risks Related to the Legality of Cannabis in the United States**

### ***Cannabis Remains Illegal Under U.S. Federal Law***

Bluma currently engages in the cannabis industry in the United States, both directly and indirectly, where local and state laws permit such activities. However, investors are cautioned that cannabis is a Schedule I controlled substance pursuant to the United States, Controlled Substances Act, and is illegal under U.S. federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, the manufacturing, distributing, selling and possessing cannabis remains a violation of federal law. Since federal law criminalizing the use of cannabis pre-empts state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm Bluma's business, prospects, results of operation, and financial condition. Bluma's business activities, while believed to be compliant with applicable state and local U.S. law, are illegal under U.S. federal law.

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

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational cannabis under the *Cannabis Act* (Canada) and the *Cannabis Regulations*, cannabis is largely regulated at the state level in the United States. To date, the medical use of cannabis is legalized in 35 states, four out of five permanently inhabited U.S. territories, and the District of Columbia. Thirteen other states have also enacted laws that limit THC content, for the purpose of allowing access to products that are rich in CBD. The recreational use of cannabis is legal in 15 states, the District of Columbia, the Northern Mariana Islands, and Guam. Although certain U.S. states and territories have legalized the sale of medical or recreational cannabis, the sale, distribution, and cultivation of cannabis and cannabis-related products remains illegal under U.S. federal law pursuant to the Controlled Substances Act. The CSA classifies cannabis as a Schedule I controlled substance, and as such, medical and recreational cannabis use is illegal under U.S. federal law.

Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, Bluma, the subsidiaries or other entities in which Bluma may have an interest from time to time may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law, or Bluma may be deemed to be facilitating the selling or distribution of cannabis and drug paraphernalia in violation of federal law with respect to Bluma's investment in the subsidiaries or in other entities. Since federal law criminalizing the use of cannabis pre-empts state laws that legalize its use, strict enforcement of federal law regarding cannabis is a significant risk, and would harm Bluma's business, prospects, results of operation, and financial condition.

The prior U.S. administration attempted to address the inconsistent treatment of cannabis under state and federal law in August 2013 in the Cole Memorandum, which outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations was less likely to be a priority for the DOJ. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. On January 4, 2018, then-U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Federal

law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite compliance with state law. There can be no assurances that the U.S. federal government will not seek to enforce applicable laws against Bluma.

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

### **General Regulatory and Legal Risks**

#### ***U.S. State Regulatory Uncertainty***

The activities of Bluma are, and will continue to be, subject to evolving regulation and interpretation by various governmental regulators and authorities. The medical and recreational cannabis industries are subject to various local, state and federal laws, regulations, guidelines, and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage, and disposal of medical cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations, and the protection of the environment. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, the rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding Bluma’s efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that Bluma will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict Bluma’s business activity. Although legal under the laws of the states in which Bluma’s business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Issuer’s business.

Bluma currently operates in the State of Florida and may in the future expand into other states in which the production, distribution and use of cannabis is permitted under state law, as deemed appropriate by management.

#### ***Risk of Legal, Regulatory or Political Change***

The success of the business strategy of Bluma depends on the legality of the cannabis industry. The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect Bluma. The current and proposed operations of Bluma and the subsidiaries are subject to a variety of local, state and federal medical cannabis laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products, health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require Bluma to incur substantial costs associated with compliance or alter

certain aspects of their business plans.

In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the business plans of Bluma and result in a material adverse effect on certain aspects of its planned operations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect Bluma's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal or applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or adult-use purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The medical and adult-use cannabis industries are subject to significant regulatory change at both the State and federal level. The regulatory uncertainty surrounding the industries may adversely affect the business and operations of Bluma, including without limitation, the costs to remain compliant with applicable laws, the impairment of its business or the ability to raise additional capital. In addition, Bluma will not be able to predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business. The inability of Bluma to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, Bluma's business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect Bluma, its business, its assets or investments and its shareholders.

Bluma is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon Bluma's business, results of operations, financial condition or prospects.

### ***Heightened Scrutiny by Canadian Authorities***

For the reasons set forth above, the business, operations and investments of Bluma in the U.S., and any future businesses, operations and investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, Bluma may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Bluma's ability to invest or hold interests in other entities in the U.S. or any other jurisdiction, in addition to those described herein.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

CDS Clearing and Depository Services Inc. ("**CDS**") is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, which is the

owner and operator of CDS, announced the signing of a Memorandum of Understanding (“**MOU**”) between CDS, Aequis NEO Exchange Inc., the Canadian Securities Exchange and the Toronto Stock Exchange, confirming that CDS relies on such exchanges to review the conduct of listed issuers.

The MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the MOU, CDS will not ban deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Although the MOU indicated that there are no plans to ban the settlement of securities through CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Bluma Shares to make and settle trades. In particular, Bluma Shares would become highly illiquid until an alternative (if available) was implemented, and investors would have no ability to effect a trade of their shares through the facilities of a stock exchange.

### ***Regulatory Scrutiny of Bluma’s Interests in the United States***

For the reasons set forth above, Bluma’s interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in the United States. As a result, Bluma may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on Bluma’s ability to carry on its business in the United States.

### ***Nature of the Business Model***

Since the cultivation, processing, production, distribution, and sale of cannabis for any purpose, medical, adult-use (i.e., recreational), or otherwise, remain illegal under United States federal law, it is possible that Bluma and/or the subsidiaries may be forced to cease activities. The United States federal government, through, among others, the DOJ, its sub-agency the Drug Enforcement Agency (“**DEA**”), and the IRS, have the right to actively investigate, audit and shut-down cannabis growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the property of Bluma or any subsidiary or other entity of Bluma. Any action taken by the DOJ, the DEA and/or the IRS to interfere with, seize, or shut down the operations of Bluma, a subsidiary or other entity of Bluma, will have an adverse effect on their businesses, operating results and financial condition.

### ***State Licensing***

State licenses in the U.S. are subject to ongoing compliance and reporting requirements. Failure by Bluma to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of Bluma. The duration and success of Bluma’s efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. Should any state in which Bluma considers a license important: (i) not grant, extend or renew and license; (ii) renew any license on different terms than required by Bluma; (iii) decide to grant more than the anticipated number of licenses; or (iv) subsequently suspend or revoke any license of Bluma, the business, financial condition and results of the operation of Bluma could be materially adversely affected. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of Bluma, which may result in a material adverse effect on Bluma’s business, financial condition, results of operations or prospects.

In certain states, the cannabis laws and regulations limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person or entity may own. For example, in Florida, there are also limitations on owning more than one of the licenses to operate as a vertically-integrated MMTTC in that state.

Bluma believes that, where such restrictions apply, it may still capture significant share of revenue in the market

through wholesale sales, exclusive marketing relations, provision of management or support services, franchising and similar arrangements with other operators. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain states may limit Bluma's ability to grow organically or to increase its market share in such states.

### ***Federal and State Forfeiture Laws***

As an entity that conducts business in the medical cannabis industry, Bluma will potentially be subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government, any state, or local police force that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Individuals may be required to forfeit property considered to be from proceeds of crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the burden in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Shareholders of Bluma located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Shareholders and prospective shareholders of Bluma should be aware of these potentially relevant federal and state laws in considering whether to invest in Bluma.

### ***Regulatory Action and Approvals from the Food and Drug Administration***

Bluma's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, Bluma's cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the *Food, Drug and Cosmetics Act of 1938* ("FDCA"). Cannabis is currently a Schedule I controlled substance under the CSA. If the federal government reclassifies cannabis as a Schedule II controlled substance, it is possible that the FDA would seek to regulate it under the FDCA. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. The potential impact of any such potential regulations on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Bluma is unable to comply with the regulations or registration requirements prescribed by the FDA, it may have an adverse effect on the business, operating results and financial condition of Bluma.

FDA enforcement action against Bluma could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of Bluma's production or distribution of its products. Any such event could have a material adverse effect on Bluma's business, prospects, financial condition, and operating results.

### ***Enforceability of Contracts***

Because Bluma's contracts relate to cannabis and other activities that are not legal under U.S. federal law and the laws of certain other jurisdictions, Bluma may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability of Bluma to enforce any of its contracts could have a material adverse effect on Bluma's business, revenues, operating results, financial condition or prospects.

### ***U.S. Travel Bans***

Recent media articles have reported that certain Canadian citizens have been prevented from entering into the United States, due to their involvement in the cannabis sector, which has in at least one widely reported incident, included an investor in companies operating in the cannabis sector in states where it is legal to do so, which resulted in that case in a lifetime ban to the investor.

Because cannabis remains illegal under U.S. federal law, those employed by or investing in licensed cannabis companies could face detention, denial of entry or lifetime bans from the United States as a result of their associations with cannabis businesses. Entry happens at the sole discretion of U.S. Customs and Border Protection (“CBP”) officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply barred entry one time. On September 21, 2018, and as updated on October 9, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada’s legalization of cannabis will not change CBP’s enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal or in Canada may affect admissibility to the U.S. As a result, CBP has affirmed that employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada, who are not U.S. citizens, face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

### ***Protection of Bluma’s Intellectual Property***

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections for intellectual property which may be available to most businesses, such as federal patent, copyright or trademark protection regarding the intellectual property of a business, may not be available to Bluma. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is illegal under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, Bluma’s intellectual property may never be adequately or sufficiently protected against use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, Bluma can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Any infringement or misappropriation of Bluma’s intellectual property could damage its value and limit its ability to compete. Bluma may have to engage in uncertain and costly litigation to protect the rights to its intellectual property, which could result in significant litigation costs and require a significant amount of its time.

Competitors may also harm Bluma’s sales by designing products that mirror or resemble Bluma’s products or processes without infringing on its intellectual property rights. If Bluma does not obtain sufficient protection for its intellectual property, or if Bluma is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue.

Bluma may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that Bluma will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar products or processes or designing

around its intellectual property.

### ***Litigation***

Bluma may become party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which Bluma becomes involved be determined against Bluma, such a decision could adversely affect Bluma's ability to continue operating, the market price for Bluma Shares, , and could use significant financial and other corporate resources of Bluma. Even if Bluma is successful in litigation, litigation can significantly redirect Bluma's resources. Litigation may also negatively affect Bluma's brand.

### ***Bluma May be Exposed to Infringement or Misappropriation Claims by Third Parties, Which, if Determined Adversely to Bluma, Could Subject Bluma to Significant Liabilities and Other Costs***

Bluma's success may depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. Bluma has no assurance that third parties will not assert intellectual property claims against it. Bluma is subject to additional risks if entities licensing intellectual property to it do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against Bluma, Bluma will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which Bluma may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, require it to pay ongoing royalties or subject Bluma to injunctions prohibiting the development and operation of its applications.

### ***Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers***

All of the directors and officers of Bluma 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 Bluma 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 Bluma 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.

### ***Indemnification of Directors and Officers***

Bluma's Articles provide that Bluma will indemnify directors and may indemnify certain other persons for liabilities incurred by them by virtue of having been a director or officer of Bluma. Bluma has, and may continue, to enter into contractual indemnification obligations with its directors and officers. The foregoing indemnification obligations could result in Bluma incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which Bluma may be unable to recoup. These provisions and the resulting costs may also discourage Bluma from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage Bluma Shareholders from filing derivative litigation against its directors and officers even though such actions, if successful, might otherwise benefit Bluma and its shareholders.

### **Financing Risks**

#### ***Banking Uncertainty***

Bluma will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering,

financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by *Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. or Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account or credit card in violation of the Bank Secrecy Act could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. The abovementioned laws and regulations can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances, including cannabis, which are illegal under federal law, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. Bluma may also be exposed to the foregoing risks.

In February 2014, FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. The FinCEN Memorandum directed prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. Although the FinCEN Memo remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. The guidance from FinCEN failed to provide safe harbors or legal defenses from examination or regulatory or criminal enforcement actions. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ’s current enforcement priorities could change for any number of reasons. A change in the DOJ’s enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If Bluma does not have access to the U.S. banking system, its business and operations could be adversely affected.

Other potential violations of U.S. federal law resulting from cannabis-related activities include the Racketeer Influenced Corrupt Organizations Act (“**RICO**”). RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business’ operations.

In the event that any of Bluma’s operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money

laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize Bluma's ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject Bluma to civil and/or criminal penalties. Furthermore, in the event that a determination was made that Bluma's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, Bluma may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. Bluma could likewise be required to suspend or cease operations entirely.

#### ***Lack of Access to U.S. Bankruptcy Protection***

Because cannabis is illegal under U.S. federal law, many courts have denied cannabis businesses federal bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If Bluma were to seek protection from creditors pursuant to applicable bankruptcy or insolvency laws, there is no guarantee that U.S. federal bankruptcy protections would be available to Bluma's United States operations, which would have a material adverse effect on Bluma, its lenders and other stakeholders.

#### ***Risks Related to Additional Financing***

Bluma may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Bluma when needed or on terms which are acceptable. Bluma's inability to raise additional financing, as needed, to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon Bluma's business, results of operations, financial condition or prospects. Prior to the completion of the reverse acquisition of the Company by CannCure, CannCure's business was funded primarily from the proceeds of debt and equity financings. Bluma expects to require additional capital in the future to expand its business in the United States, expand its product lines, and establish its targeted levels of commercial production. Bluma may not be able to obtain additional financing on terms acceptable to it, or at all, in particular because cannabis is illegal under U.S. federal law and Bluma may have difficulty attracting investors.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Bluma Shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing Bluma Shareholders. If Bluma raises additional capital by incurring debt, this will result in increased interest expense payable by Bluma. If Bluma raises additional funds through the issuance of securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

No assurance can be given that any additional financing will be available to Bluma, or if available, will be on terms favorable to it. If Bluma is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and it could be forced to reduce or discontinue its operations.

#### ***Service Providers***

As a result of any adverse change to the approach in enforcement of the U.S. cannabis laws, adverse regulatory or political changes, additional scrutiny by regulatory authorities, adverse changes in the public perception in respect to the consumption of cannabis or otherwise, third-party service providers to Bluma or any of the subsidiaries could suspend or withdraw their services, which may have a material adverse effect on the business, revenues, operating results, financial condition or prospects of Bluma or any of the subsidiaries.

## **Environmental Risks**

### ***Environmental Regulation***

Bluma's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Bluma's operations.

### ***Unknown Environmental Risks***

There can be no assurance that Bluma will not encounter hazardous conditions at the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations, that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of Bluma may be suspended. If Bluma receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of Bluma's resources to correct the condition. Such conditions could have a material impact on the business, operations and prospects of Bluma.

## **General Business Risks**

### ***Regulatory and Licensing Risks***

Bluma's business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, and disposal of cannabis, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of Bluma's business objectives is contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of Bluma may result in a material adverse effect on Bluma's business, financial condition, results of operations or prospects.

Bluma may be required to obtain or renew further government permits and licenses to carry out its business, as now conducted or as currently contemplated to be conducted. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on Bluma's part. Bluma may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business on terms which are acceptable to it or at all. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of Bluma. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, Bluma may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on Bluma's business, financial condition, results of operations or prospects.

Several of Bluma's and the subsidiaries' licenses are subject to renewal on an annual or periodic basis; however, they are generally renewed as a matter of course if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. While Bluma's and the subsidiaries' compliance controls have been developed to mitigate the risk of any material violations of any license arising, there is no assurance that Bluma's or the subsidiaries' licenses will be renewed by each applicable regulatory authority in the future in a timely manner on terms which are acceptable to Bluma or at all. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by Bluma or the subsidiaries could impede

the ongoing or planned operations of Bluma and have a material adverse effect on Bluma's business, financial condition, results of operations or prospects.

Bluma may become involved in a number of government or regulatory proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm Bluma's reputation, require Bluma to take, or refrain from taking, actions that could harm its operations or require Bluma to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources, or have a material adverse impact on Bluma's business, financial condition, results of operations or prospects.

#### ***Risks Related to Licenses of Intellectual Property***

One Plant Florida has obtained an exclusive, limited license to use certain intellectual property related to the One Plant brand pursuant to the One Plant license agreement. One Plant Florida has also entered into license agreements for the use of intellectual property relating to certain brands. The intellectual property rights granted to One Plant Florida under these agreements are limited and may not provide One Plant Florida or Bluma with sufficient rights to carry out its business plans or effectively compete with competitors. If Bluma is not able to obtain or maintain intellectual property licenses from third parties on reasonable terms, its businesses could be adversely affected.

#### ***Risk Related to Default on Debt***

Bluma has debt and owes money to creditors, including under Debentures and the Construction Loan. Such debt may be secured against Bluma's assets or guaranteed by certain of the subsidiaries and is subject to certain covenants including restrictions on further indebtedness and investments, the creation of additional security interests on Bluma's property and transfers of property other than in the ordinary course of business. These covenants may prevent Bluma from taking actions that it believes would be in the best interest of its business and may make it difficult for Bluma to execute its business strategy successfully or effectively compete with businesses not subject to the same restrictions. Bluma's ability to comply with these covenants may be affected by economic, financial and industry conditions beyond its control, including credit or capital market disruptions. The breach of any of these covenants could result in a default that would permit creditors to declare all amounts outstanding to be due and payable, together with accrued and unpaid interest. There is no assurance that Bluma will be able to secure additional financing to repay the applicable debt should cash flows from operations be insufficient to repay the indebtedness, whether it is in default or not. If Bluma is unable to repay the indebtedness, creditors could proceed against the relevant collateral securing the indebtedness. This could have serious consequences to Bluma's financial position and results of operations and could cause it to become bankrupt or insolvent.

#### ***General Business Risk and Liability***

Given the nature of Bluma's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing Bluma, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Bluma's right to carry on its existing business. Bluma may incur significant costs in connection with such potential liabilities.

#### ***Security Risks***

The business premises of Bluma's operating locations are targets for theft. While Bluma has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and Bluma fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers or cultivation and processing equipment could have a material adverse impact on the business, financial condition and

results of operations of Bluma. A security breach at one of Bluma's facilities could expose Bluma to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing Bluma's products.

As Bluma's business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. Bluma has engaged a security firm to provide security in the transport and movement of large amounts of cash. Employees sometimes transport cash and/or products and each employee has a panic button in their vehicle and, if requested, may be escorted by armed guards. While Bluma has taken robust steps to prevent the theft or robbery of cash or products during transport, there can be no assurance that there will not be a security breach during the transport of cash or products, which may result in Bluma experiencing losses.

### ***Risks Associated with COVID-19***

The international outbreak of the illness COVID-19 (coronavirus) and efforts to contain it may have a significant effect on the global economy and financial markets in the future, including the demand for and prices of products. COVID-19 may also impact third parties' ability to meet their obligations to Bluma and Bluma's ability to meet its obligations to third parties or its customers. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, and has raised the prospect of an extended global recession. As efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of business operations, including Bluma's may be impacted.

Although One Plant Florida's business is currently considered an "essential service" in the State of Florida, allowing it to maintain ongoing operations during the COVID-19 pandemic, there can be no assurance that legislative or regulatory changes will not occur, which may negatively impact the business of One Plant Florida and Bluma. Any requirement that One Plant Florida cease operations, including in connection with efforts to slow the spread of the COVID-19 pandemic would have a material adverse effect on the business, operating results and financial performance of Bluma.

COVID-19, or any other contagious disease or public health threat to the human population, could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for Bluma's products and negatively impact its operating results and financial performance.

Global pandemics and other public health threats (like COVID-19), or a fear thereof, could adversely impact Bluma's production operations, sales efforts, expansion projects, lead to labour shortages, and severely impact supply chain logistics including travel and shipping disruptions and shutdowns (including as a result of government regulation and prevention measures) affecting delivery of materials needed for Bluma to operate and delivery of Bluma's products to consumers. It is unknown whether and how Bluma may be affected if such an occurrence persists for an extended period of time, but Bluma anticipates that it would have a material adverse effect on its business, operating results and financial performance. In addition, Bluma may also be required to incur additional expenses and/or delays relating to such events which could have a further negative impact on its business, operating results and financial performance.

### ***Competition***

Bluma will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than Bluma. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Bluma.

Because of the early stage of the industry in which Bluma operates, Bluma expects to face additional competition from new entrants. If the number of users of medical cannabis in the State of Florida increases, the demand for

products will increase and Bluma expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Bluma will require a continued high level of investment in research and development, marketing, sales and client support. Bluma may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of its operations.

In addition, medical cannabis products compete against other healthcare products and drugs and a high volume of cannabis continues to be sold illegally on the black market.

### ***Impact of Illicit Supply of Cannabis***

In addition to competition from licensed producers and those able to produce cannabis legally without a license, Bluma also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black-market suppliers selling cannabis and cannabis-based products.

Despite the legalization of medical and adult-use cannabis in certain U.S. States, black market operations remain and are a substantial competitor to Bluma. In addition, illegal dispensaries and black market participants may be able to (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current regulations, and (ii) use delivery methods, including edibles, concentrates and extract vaporizers, that Bluma may be prohibited from offering to customers, (iii) use marketing and branding strategies that may be restricted under applicable state regulations, and (iv) make claims not permissible under applicable regulatory regimes. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry, their operations may also have significantly lower costs.

As a result of the competition presented by the black market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licensed producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could (i) result in the perpetuation of the black market for cannabis, (ii) adversely affect Bluma's market share and (iii) adversely impact the public perception of cannabis use and licensed cannabis producers and dealers, all of which would have a materially adverse effect on Bluma's business, operations and financial condition.

### ***High Bonding and Insurance Coverage***

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal cannabis to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. Bluma is not able to quantify at this time the potential scope for such bonds or fees in the State of Florida. Any bonds or fees of material amounts could have a negative impact on the ultimate success of Bluma's business.

Bluma's business is subject to a number of general risks and hazards, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such hazards could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although Bluma maintains some insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. Bluma may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of Bluma is not generally available on acceptable terms. Bluma may also become subject to liability for pollution or other hazards which may not be insured against or which Bluma may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Bluma to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

### ***Dependence on Key Personnel***

Bluma's success will depend on its ability to attract and retain key personnel and senior management, including the Chief Executive Officer, Chief Financial Officer, and key employees related to the cultivation of cannabis. If one or more of Bluma's executive officers are unable or unwilling to continue in their present positions, Bluma may not be able to replace them readily, if at all. Additionally, Bluma may incur additional expenses to recruit and retain new executive officers. If any of Bluma's executive officers joins a competitor or forms a competing company, Bluma may lose some or all of its customers. Bluma does not maintain "key person" life insurance on any of its executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect Bluma's business, financial condition, and results of operations, and thereby an investment in Bluma Shares. Bluma will enter into employment agreements which will address, to a certain extent, the continued involvement of key personnel in the business of Bluma.

Bluma's continuing ability to attract and retain highly qualified personnel will also be critical to its success because Bluma will need to hire and retain additional personnel as its business grows. There can be no assurance that Bluma will be able to attract or retain highly qualified personnel. Bluma faces significant competition for skilled personnel in its industries. In particular, if the cannabis industry continues to grow, demand for personnel may become more competitive. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, Bluma may not be able to effectively manage or grow its business, which could adversely affect its financial condition or business. As a result, the value of an investment in Bluma Shares could be significantly reduced or completely lost.

Bluma Shareholders will be required to rely on Bluma Board to conduct the business of Bluma. Certain of the directors and management of Bluma will not be devoting all of their time to the affairs of Bluma, but will be devoting such time as may be required to effectively manage Bluma. Certain of the directors and management are engaged and will continue to be engaged in the search for investments for themselves and on behalf of others, including other private and public corporations. Accordingly, conflicts of interest may arise from time to time. Any conflicts will be subject to the procedures and remedies under the BCBCA.

Bluma Shareholders will be required to rely on the ability, business judgment, expertise and integrity of the directors and management of Bluma. Bluma must rely substantially upon the knowledge and expertise of its directors and management in entering into any agreements relating to the operations and development of Bluma's business, and in determining when and whether to dispose of assets owned by Bluma. The death or disability of any of Bluma's key personnel could adversely affect the ability of Bluma to achieve its objectives.

### ***Dependence on Key Inputs, Suppliers and Skilled Labour***

The cannabis industry is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of Bluma. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Bluma might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Bluma in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of Bluma.

The ability of Bluma to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Bluma will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of Bluma.

### ***Risks Inherent in an Agricultural Business***

Bluma's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as humidity, hurricanes, insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

### ***Future Acquisitions or Dispositions***

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

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

### ***Due Diligence***

The due diligence process undertaken by Bluma in connection with investments or acquisitions that it makes or wishes to make may not reveal all relevant facts in connection with an investment or acquisition. Before making investments or acquisitions, Bluma will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each transaction, and balancing the cost of such due diligence with potential risk exposure. When conducting due diligence investigations, Bluma may be required to evaluate important and complex business, financial, tax, accounting and legal issues. External consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of transaction. Nevertheless, when conducting due diligence investigations and making an assessment regarding a transaction, Bluma will rely on resources available, including information provided by the target and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Moreover, such an investigation will not necessarily result in the transaction being successful.

### ***Energy Costs***

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

### ***Management of Growth***

Bluma may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. Bluma's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Bluma to manage growth may have a material adverse effect on Bluma's business, financial condition, results of operations and prospects.

Bluma's growth strategy is dependent upon expanding its product and service offerings into new business areas or new geographic markets. There can be no assurance that these new business areas and geographic markets will generate the anticipated clients and revenue. In addition, any expansion into new business areas or geographic markets could expose Bluma to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; difficulties staffing and managing new operations; infringement of third-party intellectual property rights; the cost of adapting its products and services for new markets; or difficulties collecting accounts receivable.

Operating in different geographic regions could mean that revenues earned from customers may decrease in the future for a variety of reasons, including increased competition and new entrants into geographic markets in which Bluma currently operates or intends to operate. Depending on the jurisdictions involved, any or all of the foregoing factors could have a material adverse impact on Bluma's business, financial condition and results of operations.

The growth and expansion of Bluma's business is heavily dependent upon the successful implementation of Bluma's business strategy. There can be no assurance that Bluma will be successful in the implementation of its business strategy. The above-noted factors could cause Bluma's expansion into new business areas or geographic markets to be unsuccessful or less profitable than its existing markets or could cause Bluma's operating costs to increase unexpectedly or its sales to decrease, any of which could have a material adverse impact on Bluma's prospects, business, financial condition or results of operations. In addition, there can be no assurance that laws, licensing requirements or administrative practices in jurisdictions within which Bluma intends to operate will not change. Any such change could have a material adverse impact on Bluma's business, financial condition and results of operations.

#### ***Limited Operating History and No Assurance of Profitability***

Bluma has a limited history of operations and is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. Bluma's limited operating history may also make it difficult for investors to evaluate Bluma's prospects for success.

Prior to the completion of the reverse acquisition of the Company by CannCure, CannCure had a history of net losses and Bluma may incur significant net losses in the future and may not achieve or maintain profitability. Prior to the completion of the reverse acquisition, CannCure had a history of operating losses and of negative cash flows from operations. Bluma will be reliant on positive net income from continuing operations and capital markets for future funding to meet its ongoing obligations. The application of the going concern concept is dependent on Bluma's ability to receive continued financial support from its stakeholders and, ultimately, on Bluma's ability to generate profitable operations. There can be no assurance that Bluma will be able to develop or maintain consistent revenue sources, or that its operations will be profitable and/or generate positive cash flow.

#### ***Volatile Market Price of Bluma Shares***

The market price for securities of cannabis companies has historically been volatile and subject to wide fluctuations in response to various factors, many of which are beyond Bluma's control, which may affect the ability of Bluma Shareholders to sell their securities at an advantageous price. Bluma's failure to meet expectations, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions, industry related developments, results of product development or commercialization, changes in government regulations or other material public announcements by Bluma or its competitors, along with a variety of additional factors may affect market fluctuations. The market price of Bluma Shares may decline even if Bluma's operating results, underlying asset values or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If increased levels of volatility and market turmoil occur, Bluma's operations could be adversely impacted, and the trading price of Bluma Shares may be materially adversely affected. A decline in the price of Bluma Shares could affect its ability to raise further working capital and adversely

impact its ability to continue operations. A prolonged decline in the price of Bluma Shares could result in a reduction in the liquidity of Bluma Shares and a reduction in Bluma's ability to raise capital. Because a significant portion of Bluma's operations have been and will be financed through the sale of equity securities, a decline in the price of Bluma Shares could be especially detrimental to Bluma's liquidity and its operations. Such reductions may force Bluma to reallocate funds from other planned uses and may have a significant negative effect on Bluma's business plan and operations, including its ability to develop new products and continue its current operations. If the price of Bluma Shares declines, Bluma can offer no assurance that it will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If Bluma is unable to raise sufficient capital in the future, Bluma may not be able to have the resources to continue its normal operations.

### ***No Market for Warrants***

There is currently no market through which Bluma Warrants (or any securities of Bluma other than Bluma Shares) may be sold and purchasers may not be able to resell such securities. This may affect the pricing of Bluma Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation.

### ***Costs of being a Reporting Issuer***

As a reporting issuer, Bluma is subject to the reporting requirements and rules and regulations under applicable Canadian securities laws and rules of the Exchange. Additional or new regulatory requirements may be adopted in the future, requiring compliance by Bluma. The requirements of existing and potential future rules and regulations will increase Bluma's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, once listed, Bluma will be subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which requires annual management assessment of the effectiveness of Bluma's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for Bluma to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on Bluma as well as on Bluma's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Bluma's results of operations or cause it to fail to meet its reporting obligations. If Bluma or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Bluma's financial statements and materially adversely affect the trading price of Bluma Shares.

### ***Bluma is a Holding Company***

Bluma is a holding company and essentially all of its assets are the securities of the subsidiaries. As a result, Bluma Shareholders are subject to the risks attributable to the subsidiaries. As a holding company, Bluma conducts substantially all of its business through the subsidiaries, which generate substantially all of Bluma's revenues. Consequently, Bluma's cash flows and ability to develop its business are dependent on the earnings of the subsidiaries. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and on the restrictions contained in the instruments governing the subsidiaries' debts. In the event of a bankruptcy, liquidation or reorganization of any of the subsidiaries, creditors may be entitled to payment of their claims from the assets of the subsidiaries before Bluma.

### ***Unfavourable Publicity or Consumer Perception***

Bluma's ability to generate revenue and be successful in the implementation of its business plan is dependent on consumer acceptance and demand of its product lines. Management of Bluma believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Acceptance of Bluma's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If customers do not accept Bluma's products, or if Bluma fails to meet customers' needs and expectations adequately, its ability to continue generating revenues could be adversely affected.

Consumer perception of Bluma's proposed products may be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Bluma's products and the business, results of operations, financial condition and cash flows of Bluma. Bluma's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Bluma, the demand for Bluma's products, and the business, results of operations, financial condition and cash flows of Bluma.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or Bluma's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

### ***If Bluma is Unable to Continually Innovate and Increase Efficiencies, its Ability to Attract New Customers may be Adversely Affected***

Bluma must be able to develop new technologies and 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. Bluma may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

### ***A Drop in the Retail Price of Medical Cannabis Products may Negatively Impact the Business of Bluma***

The demand for Bluma's products depends in part on the price of commercially grown medical cannabis. Fluctuations in economic and market conditions that impact the prices of commercially grown medical cannabis, such as increases in the supply of such cannabis and the decrease in the price of products using commercially grown medical cannabis, could cause the demand for medical cannabis products to decline, which would have a negative impact on Bluma's business.

### ***Bluma's Trade Secrets May Be Difficult to Protect***

Bluma's success depends upon the skills, knowledge, and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensors and contractors. Because Bluma operates in a highly competitive industry, Bluma relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. Bluma may enter into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors, which would require that the receiving party keep confidential and not disclose to third parties confidential information

developed by the receiving party or made known to the receiving party during the course of the receiving party's relationship with Bluma. These agreements would also generally provide that inventions conceived by the receiving party in the course of rendering services to Bluma will be Bluma's exclusive property, and Bluma enters into assignment agreements to perfect its rights.

These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to Bluma. Bluma's trade secrets also could be independently discovered by competitors, in which case Bluma would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using its trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect Bluma's competitive position.

#### ***Past Performance Not Indicative of Future Results***

The prior investment and operational performance of CannCure or the Company may not be indicative of the future operating results of Bluma. There can be no assurance that the historical operating results achieved by CannCure, Bluma, or the subsidiaries will be achieved by Bluma, and Bluma's performance may be materially different.

#### ***Financial Projections May Prove Materially Inaccurate or Incorrect***

Bluma Shareholders should inquire of Bluma and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operating expenses, changes or shifts in regulatory rules or applicable laws, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, Bluma Shareholders should not rely on any projections to indicate the actual results Bluma might achieve.

#### ***Dilution***

Bluma is authorized to issue an unlimited number of Bluma Shares. If Bluma raises additional financing through the issuance of Bluma Shares (including securities convertible or exchangeable into Bluma Shares) or completes an acquisition or merger by issuing additional Bluma Shares, such issuance may substantially dilute the interests of holders of Bluma Shares and reduce the value of their investment. Bluma Shareholders will have no pre-emptive rights in connection with a future issuance. Bluma Board has the discretion to determine the price and the terms of future issuances and the market price of Bluma Shares could decline as a result of issuances of new Bluma Shares. Moreover, additional Bluma Shares may be issued by Bluma on the exercise of Bluma Options, in payment of vested Bluma RSUs and upon the exercise of outstanding Bluma Warrants. Further, additional Bluma Shares may be issued by Bluma in connection with the conversion of Convertible Debentures.

#### ***Conflicts of Interest***

Certain directors and officers of Bluma are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of Bluma and as directors and officers of such other companies. Any conflicts of interest will be subject to and governed by the laws applicable directors' and officers' conflicts of interest and fiduciary duties, including the procedures prescribed by the BCBCA respecting disclosable interests.

#### ***Constraints on Marketing Products***

The development of Bluma's business and operating results may be hindered by applicable restrictions on sales and

marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits companies' abilities to compete for market share in a manner similar to other industries. If Bluma is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, Bluma's sales and results of operations could be adversely affected.

### ***Product Liability***

Bluma risks exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Bluma's products alone or in combination with other medications or substances could occur. Bluma may be subject to various product liability claims, including, among others, that Bluma's products caused injury, illness or death, 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 Bluma could result in increased costs, could adversely affect Bluma's reputation with its clients and consumers generally, and could have a material adverse effect on Bluma's results of operations and financial condition. There can be no assurances that Bluma 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 products.

### ***Fraudulent or Illegal Activity by Employees, Contractors and Consultants***

Bluma is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to Bluma that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for Bluma to identify and deter misconduct by its employees and other third parties, and the precautions taken by Bluma to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Bluma from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Bluma, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on Bluma's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Bluma's operations, any of which could have a material adverse effect on Bluma's business, financial condition, results of operations or prospects.

### ***Information Technology Systems, Cyber-Attacks and Security Breaches***

Bluma's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Bluma is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or malfunctioning technology. Bluma's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays, increase in capital expenses, financial losses, the inability to process transactions, the unauthorized release of customer information and reputational risk. If there was a breach in security or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact Bluma's reputation, business continuity and results of operations.

In addition, Bluma collects and stores personal information about its customers and patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Bluma's business, financial condition and results of operations.

Bluma has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that Bluma will not incur such losses in the future. Bluma's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, Bluma may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### ***Website Accessibility***

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent Bluma sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, Bluma may face legal action in other jurisdictions which are not the intended object of any of Bluma's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

### ***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 cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although Bluma believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Bluma Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Bluma's products with the potential to lead to a material adverse effect on Bluma's business, financial condition, results of operations or prospects.

### ***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 Bluma's products are recalled due to an alleged product defect or for any other reason, Bluma could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Bluma 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 Bluma has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of Bluma's significant brands were subject to recall, the image of that brand and Bluma could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Bluma's products and could have a

material adverse effect on the results of operations and financial condition of Bluma. Additionally, product recalls may lead to increased scrutiny of Bluma's operations by the FDA, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### ***Reliance on Regulatory Approval***

Bluma's ability to successfully produce its products is dependent on extensive ongoing regulatory, variance, compliance and reporting requirements imposed primarily by the OMMU and other regulatory authorities ("**Reporting Requirements**"). Failure to comply with the requirements and terms of the Reporting Requirements could have a material adverse impact on the business, financial condition and operating results of them Bluma. There is no assurance that continuous regulatory approval will be given, granted or renewed pursuant to the Reporting Requirements. Should regulatory approval not be continued, the business, financial condition and operating results of Bluma would be materially adversely affected.

Even if Bluma continues to receive regulatory approval for its operations and product offerings, this approval may carry conditions that limit the market for the products or put the products at a competitive disadvantage relative to alternative therapies. For instance, regulatory approval may limit the indicated uses for which Bluma can market a product or the patient population that may utilize the product, or may be required to carry a warning on its packaging.

### ***No Dividends***

Holders of Bluma Shares will not have a right to dividends on such shares unless declared by Bluma Board. Any decision to declare and pay dividends in the future will be made at the discretion of Bluma Board and will depend on the financial results, cash requirements, contractual restrictions and other factors that Bluma Board may deem relevant. As a result, investors may not receive any return on an investment in Bluma Shares unless they sell their Bluma Shares for a price greater than that which such investors paid for them. Bluma has no earnings or dividend record and may not pay any dividends on Bluma Shares in the foreseeable future. Dividends paid by Bluma could be subject to tax and, potentially, withholdings. Bluma plans to reinvest the profits of its operations and investments, if any, to further the growth and development of Bluma instead of paying dividends.

### ***Enhanced US Federal Tax Cost of Profits from Cannabis Production***

Section 280E of the United States Internal Revenue Code of 1986, as amended prohibits cannabis businesses from deducting their ordinary and necessary business expenses. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the United States that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business expenses the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. The result of the application of Section 280E may be that the US federal tax cost of profits arising from Bluma's business are greater than other industries not related to cannabis production.

### **Market and Economy Risks**

#### ***Economic Environment***

Disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. Bluma's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently,

impact Bluma's sales and profitability. Macroeconomic developments could negatively impact Bluma's business, which depends on the general economic environment and levels of consumer spending. As a result, Bluma may not be able to maintain its existing customers or attract new customers, or Bluma may be forced to reduce the price of its products. Bluma is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on Bluma's business, financial condition, results of operations, and cash flow.

### ***Currency Fluctuations***

Due to Bluma's present operations in the United States, and its intention to continue future operations outside Canada, Bluma is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of Bluma's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. Bluma does not have currency hedging arrangements in place and there is no expectation that Bluma will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on Bluma's business, financial position or results of operations.

### ***Market Price Volatility and Disruption Risks***

The market price of Bluma Shares may be volatile and subject to wide fluctuations in response to many factors, including variations in the operating results of Bluma, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Bluma, changes in the economic performance or valuations of companies in the industry in which Bluma will operate, the addition or departure of Bluma's officers and other key personnel, the release or expiration of transfer or lock-up restrictions on the outstanding Bluma Shares, sales of additional Bluma Shares, fluctuations in the costs of key supplies, general economic and financial conditions, legislative or regulatory changes, and other events and factors outside of Bluma's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Bluma Shares. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of Bluma Shares.

War and occupation, terrorism, related geopolitical risks, global pandemics and other sociological or economic conditions may in the future lead to increased market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual corporations or related groups of corporations. These risks could also adversely affect the securities markets, inflation and other factors relating to the securities that would be held from time to time. Such events could directly or indirectly, have a material effect on the prospects and value of the securities of Bluma.

### ***Sales by Existing Shareholders***

Once the lock-up restrictions applicable to Bluma Shares have expired, sales of a substantial number of Bluma Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Bluma Shares intend to sell could reduce the market price of Bluma Shares. If this occurs and continues, it could impair Bluma's ability to raise additional capital through the sale of Bluma Shares.

### ***Limited Market for Securities***

There can be no assurance that an active and liquid market for Bluma Shares will develop or be maintained and a Bluma Shareholder may find it difficult to resell any securities of Bluma.

### ***Global Financial Conditions***

Bluma is subject to global economic, political and social conditions that may cause customers to delay or reduce cannabis consumption due to economic downturns, unemployment, and volatility in the costs of energy and other consumer goods, geopolitical uncertainties, and other macroeconomic factors affecting spending behavior. Bluma faces risks that may arise from financial difficulties experienced by suppliers or customers, including the risk that customers may face financial difficulties or may become insolvent, which could lead to an inability to obtain payment of accounts receivable that those patients may owe; the risk that key suppliers may face financial difficulties or may become insolvent, which could lead to disruption of the supply of cannabis products; and the inability of customers and/or suppliers to obtain credit financing to finance purchases of products and raw materials used to grow or build those products. Should any of these risks occur, they could have a material adverse effect on Bluma.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability, epidemics or pandemics, and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact Bluma's ability to obtain equity or debt financing in the future on terms favourable to Bluma or at all. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, Bluma's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, employment rates, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect Bluma's operating environment and its operating costs, profit margins and the price of Bluma Shares. Any negative events in the global economy could have a material adverse effect on Bluma's business, financial condition, results of operations or prospects.