FORM 51-102F1

BHANG INC.
(the "Company")

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021
(the "Reporting Period")

This Management Discussion and Analysis ("**MD&A**") made as of November 26, 2021, should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2021 and the related notes thereto (the "Financial Statements"). All dollar figures included therein and in the following MD&A are expressed in United States Dollars unless otherwise indicated.

The Company is a cannabis CPG brand company with a portfolio of approximately 50 cannabis, hemp-derived cannabidiol ("CBD") and terpene products (which are sold through its licensees and/or by Bhang directly) including, without limitation, chocolates, pre-rolls, vapes, gums, beverages, and gummies.

The Financial Statements are presented on a consolidated basis and include the accounts of the Company and its direct subsidiaries Bhang Corporation ("Bhang"), Bhang Canada Corp. ("BCC") and 2838301 Ontario Inc., as well as Bhang's wholly-owned subsidiaries CB Brands, LLC ("CB Brands"), CB Productions, LLC ("CB Productions"), Founding Fathers' Hemp Company ("Founding Fathers") and Euro Brand IP Holdings, LLC ("Euro Brand"). The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's comparative information included in this MD&A has been prepared in accordance with IFRS.

Additional information relating to the Company is also available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Management's Responsibility for Financial Reporting

The Financial Statements have been prepared by management in accordance with IFRS and have been approved by the Company's board of directors (the "Board") on November 26, 2021. The integrity and objectivity of these Financial Statements are the responsibility of management. In addition, management is responsible for ensuring that the information contained in the MD&A is consistent where appropriate, with the information contained in the Financial Statements.

The Financial Statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the Financial Statements are presented fairly in all material respects.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The members of the audit committee are appointed by the Board and have sufficient financial expertise to assume this role with the Company. The majority of the audit committee members are independent and not involved in the Company's daily operations.

Cautionary Note on Forward-Looking Information

The information provided in this MD&A, including information in the Listing Statement that is incorporated by reference, may contain “forward-looking statements” about the Company and its subsidiaries. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the regulation of the recreational cannabis industry;

(b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and

(c) other risks described in the Listing Statement and described from time to time in documents filed by the Company on SEDAR, including in this MD&A.

All forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on their behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Recent Developments and Description of Reverse Takeover Transaction

On May 27, 2019, the Company disposed of its entire interest in its wholly owned subsidiary, Sage Power Corporation ("Sage"). On January 1, 2019, the Company completed an amalgamation of its Ontario subsidiaries Eco Ridge Development Corporation (“ERDC”), Pele Diamond Corporation (“Pele Diamond”), Pele Gold Corporation (“Pele Gold”) and Sage to continue as one wholly-owned subsidiary named Sage Power Corporation (“Sage”). In addition, on April 17, 2019, the Company arranged for the dissolution of its State of Nevada subsidiary, Mountain Pass Resources, Inc. ("Mountain Pass"), pursuant to a certificate of dissolution filed with the Secretary of State of the State of Nevada. On May 27, 2019, the Company disposed of its entire interest in Sage.

On November 8, 2018, the Company, Pele Acquisition Corp., a former subsidiary of the Company ("Subco"), Bhang Corporation ("Bhang") and Bhang Canada Inc. ("BCI") entered into a definitive agreement (the "Definitive Agreement") whereby the Company agreed to acquire Bhang pursuant to a reverse take-over transaction (the "Transaction"). On May 27, 2019, the Company changed its name from "Pele Mountain Resources Inc." to "Bhang Inc." and consolidated its common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares, and simultaneously re-designated such class of shares as subordinate voting shares (the "Subordinate Voting Shares" or "SVS") and created a new class of multiple voting shares (the "Multiple Voting Shares" or "MVS"). On July 9, 2019, the Company acquired all of the issued and outstanding shares of Bhang in exchange for an aggregate of 33,365,916 SVS and 56,634.128 MVS.

In connection with the Transaction, the Company completed a "three-cornered" amalgamation whereby Subco amalgamated with BCI to form Bhang Canada Corp. ("BCC") pursuant to an amalgamation agreement dated July 9, 2019 among the Company, Subco and BCI (the "Amalgamation Agreement"). Pursuant to terms of the Amalgamation Agreement, an aggregate of 11,182,735 SVS and 5,591,316 warrants of the Company (the "Warrants") were issued to shareholders of BCI. Each Warrant entitles the holder to purchase one SVS at a price of CAD$0.65 per share until July 9, 2021, subject to acceleration in the event that the volume weighted average price of the SVS is equal to or greater than CAD$1.00 over a period of 10 consecutive trading days.

On September 9, 2019, the Company acquired all issued and outstanding membership units of Red Ace, LLC, an organic beverage company through the issuance of 4,743.074 MVS. Immediately following the acquisition, a member of management of Red Ace assumed certain indebtedness of Red Ace in exchange for 229.131 MVS of the Company. These shares were issued on the acquisition date and were considered part of the purchase consideration pursuant to the acquisition.

On January 22, 2020, the Company acquired the remaining 50% membership interest in CB Brands, LLC in exchange for 536,016 SVS of the Company. Prior to this transaction, the Company had a 50% joint-venture interest in CB Brands. CB Brands develops, manufactures, markets, sells and/ or distributes co-branded and newly branded cannabis flower and cannabis-infused products with the music group Cypress Hill.

On February 17, 2020, the Company acquired all of the issued and outstanding shares of Founding Fathers and all of the issued and outstanding membership units of Euro Brand. The Company acquired each interest for $100 from its former President and CEO. Each company is the owner of, or has applied for several U.S. mark registrations. Historically, the only activities of either company was applying for, and acquiring the mark registrations at the direction of Bhang.

Pursuant to a debt settlement dated July 17, 2020, the Company and an insider settled two convertible promissory notes with aggregate principal of CAD$600,000 by the Company issuing a total of 6,666,667 SVS and 6,666,667 warrants. Furthermore, the insider has settled and released all other rights and remedies available under its Forbearance Agreement and prior financings in exchange for 12,809,524 SVS, and 5,261,905 warrants. Each warrant allows the holder to purchase one common share of the Company at an exercise price of CAD$0.15 per unit for a period of 24 months. On the same date, the Company and the insider entered into an operating facility pursuant to which the shareholder will advance up to CAD$1,000,000 (the "Operating Facility") in minimum tranches of CAD$50,000 ("Advances"). The advances shall bear interest at a rate of 8% per annum with interest payable monthly in arrears on the first business day of each month. At the option of the insider, any outstanding interest may be converted into SVS of the Company at a price of CAD$0.15 per share. All outstanding Advances are repayable on demand at any time and all outstanding amounts shall be permanently repaid and the Operating Facility cancelled after 36 months from the date of the agreement. The Company may repay the Operating Facility at any time and the lender may be entitled to elect to receive SVS of the Company at a price of CAD$0.15 per share, in place and instead of repayment of the amount outstanding under the Operating Facility.

On October 2, 2020, the Company granted options to purchase an aggregate of 1,300,000 Subordinate Voting Shares of the Company (the “Stock Options”) to certain directors and officers of the Company. 1,000,000 Stock Options are exercisable until October 1, 2023 at a price of CAD$0.075 per share and the remaining 300,000 Stock Options are exercisable until October 1, 2023 at a price of $0.10 per share. The Company granted 2,750,000 restricted stock units of the Company (the “RSUs”) to certain directors, officers and consultants of the Company. Upon issuance, 1,750,000 of the RSUs vested immediately and it was determined at that time that 1,000,000 of the RSUs will vest on October 2, 2021. Upon vesting, the subordinate voting shares underlying the RSUs are issued at a deemed price of CAD$0.075 per share.

On October 5, 2020, the Company’s wholly-owned subsidiary, Bhang, completed a divestment of its membership interest in Red Ace in an effort for the Company to re-focus resources on its core business of cannabis-infused gourmet chocolate products. The transaction was completed pursuant to a membership interest purchase agreement (the “Purchase Agreement”) whereby Bhang Corp. sold, assigned and transferred 100% of its membership interest in Red Ace in exchange for gross proceeds of US$5,000 and the assumption by the purchaser of all liabilities associated with Red Ace. In connection with the Purchase Agreement, the Company also entered into a settlement agreement and mutual release (the “Settlement Agreement”) with a former owner of Red Ace (the “Former Owner”), among others, where the parties agreed to release and discharge each other of any claims related to prior business dealings involving Red Ace. Pursuant to the Settlement Agreement, the Former Owner also agreed, for no consideration, to transfer to the Company all right, title and interest in and to 2,379.122 Multiple Voting Shares of the Company that were acquired by the Former Owner at the time of the initial Red Ace sale transaction.

On October 9, 2020, the Company announced that the Company’s board of directors has accepted the resignation of Graham Simmonds and has appointed Nick J. Richards to fill the board vacancy

On November 20, 2020, the Company announced that it had amended its Operating Facility with Plant Based Investment Corporation (PBIC) (formerly known as Cannabis Growth Opportunity Corporation “CGOC”) which was entered into on July 17, 2020. The Company and PBIC amended the Credit Facility for PBIC to provide up to an additional CAD$500,000 in principal for a total of up to $1,500,000 to be used for general working capital purposes. All other terms of the Credit Facility remain unchanged. As of the date hereof, Bhang’s Credit Facility with Bhang has CAD$1,500,000 available from the Credit Facility and has no draws.

On December 31, 2020, the Company announced that it had completed a number of debt settlements (the “Settlements”) with various creditors of the Company. On December 31, 2020 and pursuant to the Settlements, the Company issued an aggregate of 6,867,500 Subordinate Voting Shares, at a deemed price of CAD$0.05 per Subordinate Voting Share, and an aggregate of 3,940,000 Subordinate Voting Share purchase warrants (each a “Warrant”). Of the Warrants issued, 1,540,000 Warrants are exercisable until December 30, 2023 at a price of $0.10 per Subordinate Voting Share and the remaining 2,400,000 Warrants are exercisable until December 30, 2021 at a price of CAD$0.10 per Subordinate Voting Share.

On December 31, 2020, the Company issued 66,667 Subordinate Voting Shares underlying restricted stock units (“RSUs”) held by a former employee that the Company’s board of directors determined to immediately vest. Such Subordinate Voting Shares were issued at a deemed price of $0.11 per Subordinate Voting Share.

In January 2021, the Company issued a promissory note to a certain insider of the Company in the principal amount of US$40,000. The note was due and payable on or before April 15, 2021 (the “Maturity Date”) and is subject to fifteen percent (15%) interest per annum, such interest to accrue monthly and to be added to the principal amount of the note and due on the Maturity Date. In March 2021, the Company repaid all principal and interest owning under the note in the aggregate amount of US$41,118.

On March 5, 2021, the Company closed an initial tranche of a non-brokered private placement of Subordinate Voting Shares of the Company for gross proceeds of up to CAD$2,000,000 at a price of CAD$0.065 per Subordinate Voting Share (the “Offering”). Proceeds from the Offering were expected to be used for general working capital purposes. The Company issued an aggregate of 27,240,192 Subordinate Voting Shares pursuant to the offering for total gross proceeds of approximately CAD$1,770,613. On March 5, 2021, the Company also completed a debt settlement (the “Debt Settlement”) with an insider relating to funds owed pursuant to an existing operating facility whereby the Company issued an aggregate of 23,661,623 Subordinate Voting Shares at a deemed price of CAD$0.065 per Subordinate Voting Share. As an inducement to enter into the Debt Settlement, the insider agreed to amend the Operating Facility to July 17, 2023 without prior demand unless and until the occurrence of an event of default that is continuing pursuant to the terms of the operating facility.

In connection with the Offering, the Company paid, to certain eligible finders (the “Finders”) a cash commission of approximately CAD$16,587 in relation to the gross proceeds of the Offering raised from subscribers introduced to the Company by such Finders.

Description of Business

Prior to completing the Transaction with Bhang, the Company was a Canadian mineral exploration and development company that was formed to acquire mineral resource properties in Canada and to carry out mineral exploration and development activities thereon in search of economic deposits of metals and minerals and has focused on generating and selling interests in mineral projects in Northern Ontario since 1996.

Upon the completion of the Transaction, the business of Bhang became the business of the Company.

Operating since 2010, Bhang is an award-winning cannabis company with three tiers of branded products: (i) cannabis-derived products containing delta-9-tetrahydrocannabinol (“THC”) and CBD which are manufactured by licensees and sold by such licensees, (ii) hemp-derived CBD products that are manufactured by co-packers and are sold by retailers, distributors and by Bhang directly through its e-commerce platform and (iii) terpene products, that do not contain any cannabis, and are manufactured by co-packers and are available for sale by Bhang and its distributors. Products within these tiers include, without limitation, chocolate bars, vapes, gum and hemp pre-rolls, in addition to Bhang-branded apparel and merchandise. Bhang’s products have won over 22 awards including 9 “best of” cup awards for artisanal edibles, concentrates, CBD and vape products. Bhang also operated a wholesale hemp brokerage network as a stream of income which allowed Bhang to control the commodity price of its hemp-derived CBD, profit from excess material and keep ample supply on hand to infuse into its finished CBD products.

Bhang branded THC products are manufactured by licensees and sold by such licensees in certain states where they are permitted to sell cannabis products. Bhang only licenses its intellectual property (brand and recipes) to these licensees and also facilitates their purchases of Bhang-branded packaging and molds to assist them with production and distribution. Bhang does not directly own, hold, or handle any THC products. Bhang branded hemp-derived CBD products are all manufactured by co-packers and are sold by retailers, distributors and by Bhang directly through its e-commerce platform in states where they are permitted to be sold. The full launch of Bhang's terpene products occurred in the fourth quarter of fiscal 2019. Terpene-flavoured products are cannabis-inspired and do not contain any cannabis.

At the end of fiscal 2019, Bhang closed its headquarters in Miami and reduced staff to seven people who all work remotely. Bhang's CBD products were moved into a fulfillment house in Los Angeles. Investor and public relations activities have been put on hold, allowing the team to focus on running the business and generating revenue.

The Company is no longer relying on CBD brokerage as a material source of revenue. The explosion of post—2018 Farm Bill hemp supply caused hemp-derived CBD isolate prices to drop steeply. Bhang has kilos of hemp-derived CBD isolate in stock to provide to co-packers manufacturing CBD finished goods. The Company launched Bhangcbd.com in April 2019 as its e-commerce platform for hemp-derived CBD products. While building consumer demand, the Company experienced a credit card processing setback. A prominent credit card provider shut down more than a hundred thousand processing accounts overnight due to regulatory uncertainty and, therefore, Bhang's ability to process credit cards was shut down. In Q4 2019, Bhang's CBD e-commerce store became fully operational and generating revenue again. During that down time, Bhang added both email and text marketing and began a refresh of the overall look of the site to fit with its global re-brand.

CBD e-commerce will continue to be a source of revenue for Bhang however, the Company has shifted primary focus to THC chocolate and other edibles, which is the Company's core strength. Bhang licenses its THC chocolate brand and other THC branded products across five U.S. States (California, Florida, Nevada, Michigan, New Mexico, and Illinois). Bhang-branded chocolate also became available in Canada, in Q1 2020, through Bhang's agreement with Indiva Limited (TSXV: NDVA). As state and country regulations are constantly in flux, the following is a brief overview of Bhang THC Chocolate:

In April 2020, Bhang-branded, cannabis-infused chocolate shipped in a new, refreshed packaging design. The new packaging was rolled out across its multi-state footprint in 2020. Bhang's updated packaging is available in California in 16 skus – 2 sizes in 8 flavors: Dark, Milk, 1:1 CBD Dark Caramel, Cookies & Cream, Fire, Ice, Dark Blueberry and Caramel Mocha. Bhang's licensee in Nevada, Cannavative, launched in the new packaging and the refreshed packaging will hit the shelves in all other locations **through attrition.**

For future seasonal flavor product launches, Bhang will rely on its team of industry experts from the cannabis, art, fashion, and music worlds including DJ Muggs and the Soul Assassins, to develop the initiatives from inception to execution.

The following is a brief overview of the revenue generating activities of Bhang's THC Chocolate licensees:

- **California**: Bhang took over operation of the brand in California in the first quarter of Q1 after terminating its license agreement with Origin House. Bhang's co-packer Trava launched the new packaging in Q2 of 2020 and it was well received as was Bhang's collaboration with DJ Muggs and the Soul Assassins. The additional advantage of Bhang controlling operations is the increased and improved ability to provide a "walk a mile in your shoes" level of operational support for its licensees.

- **Nevada** –Bhang chocolate hit Nevada shelves in early Q3 2020. Cannavative, Bhang's licensee in Nevada, has a sales presence in all 72 Nevada retail and delivery outlets in the state. Revenue from Nevada began in September of 2020 and as of the date of this MD&A, we are currently in over 50% of all NV dispensaries including Planet 13 and Silver State Relief.

- **Florida** – Bhang has a top-tier licensee in Trulieve Cannabis Corp. (CSE: TRUL) to manufacture and distribute Bhang chocolate across their Florida retail locations as well as through their state-wide home delivery service. The State of Florida announced legal edibles in September 2020 and Bhang and Trulieve immediately went to work to get the molds and packaging compliant with the new regulations and approved by the State of Florida. Trulieve is slated to begin manufacturing Bhang in FL by Q3 2021.

- **Illinois** is currently manufacturing and selling out of Bhang chocolate so far in every month of 2020. Bhang's licensee, Bedford Grow, completed a major facility expansion in Q2 of 2020. We expected their increased ability to manufacture to translate into more robust sales and revenue in 2020, however, they experienced major setbacks including the inability to purchase chocolate raw ingredients due to shortages caused by COVID.

- **Canada**: Bhang entered into an amended license agreement with Indiva, replacing the previous joint venture agreement, giving Indiva the exclusive right to manufacture and sell Bhang THC-infused chocolate products in Canada. Indiva has secured an agreement with *Medical Cannabis by Shoppers*™,a subsidiary of Shoppers Drug Mart Inc., which will make Bhang Chocolate available through the *Medical Cannabis by Shoppers*™ platform. Bhang chocolate products continue to be among the top edibles in Canada.

- **New Mexico**: Bhang New Mexico continues to be the dominant chocolate in the state of New Mexico. We look forward to the launch of our new packaging in New Mexico and are very confident about our licensee and what they will be able to do with a more favorable legislative climate now that New Mexico has officially voted for adult-use legalization.

Selected Annual Information

The following selected financial data for each of the three most recently completed financial years are derived from the audited annual financial statements of the Company.

Year Ended December 31	2020	2019	2018
	$	$	$
Revenue	1,627,481	4,629,722	1,638,737
Gross profit	908,863	(538,833)	987,432
Net income (loss)	(4,418,338)	(15,079,185)	(1,538,608)
Comprehensive income (loss)	(4,450,392)	(15,145,088)	(1,538,608)
Loss per share, basic and diluted	(0.03)	(0.15)	(0.02)
Loss per share from continuing operations, basic and diluted	(0.03)	(0.14)	(0.02)
Total assets	1,887,178	2,235,143	6,055,412
Total liabilities	3,275,532	2,886,787	778,731
Shareholders' equity (deficiency)	(1,388,354)	(651,644)	5,276,681

Results of Operations

The Financial Statements include a restatement of the interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2020 as described in note 33 of the Financial Statements. The amounts referred to below with respect to the periods ended September 30, 2020 include the effects of the restatement.

The Company had a net loss of $688,513 for the three months ended September 30, 2021, compared to a net loss of $2,272,136 for the three months ended September 30, 2020. The income and losses for the respective periods were influenced significantly by unrealized losses on marketable securities as well as losses incurred on the settlement of debt ($1,675,384) and the disposition of the Company's investment in the Indiva JV ($100,000) during the three months ended September 30, 2020. During the three months ended September 30, 2021, the Company recognized an unrealized loss on marketable securities of $256,482, while the three months ended September 30, 2020 included an unrealized loss of $23,653. The Company's net loss for the nine month period ended September 30, 2021 was $1,374,423 compared to a net loss of $3,454,473 for the nine month period ended September 30, 2020. The main causes of the difference in these amounts year-over-year, are the realized loss on marketable securities of $104,008, the loss on debt settlement of $1,675,384 and the loss on the disposition of the investment of the Indiva JV of $100,000 all of which happened in the three and nine months ended September 30, 2020 and did not recur during the comparative periods of fiscal 2021.

Revenue for the three months ended September 30, 2021 was $283,019 representing an increase of $98,40239,837 when compared to the revenue of $243,182 for the three months ended September 30,

2020. The increase relates to additional license revenue from existing licensees in the current fiscal year and the fact that the Company had only one month of license revenue from Indiva during the three months ended September 30, 2020. Revenue for the nine months ended September 30, 2021 amounted to $881,786 a decrease of $378,268 compared to revenue of $1,260,054 earned during the nine months ended September 30, 2020. During the nine months ended September 30, 2020, the Company entered into a termination and settlement agreement with a former licensee, pursuant to which the Company recognized license revenue of $635,017 related to the fair value of marketable securities, finished goods and raw materials inventory and manufacturing equipment received from the licensee. This did not recur during the nine months ended September 30, 2021.

The Company earned a gross profit of $173,857 for the three months ended September 30, 2021 which represented an increase of $34,525 compared to a gross profit of $139,332 for the three months ended September 30, 2020. The fluctuations year-over-year are a function of increased license revenue that typically carry higher margins. The Company's gross profit for the nine months ended September 30, 2021 was $639,140 a decrease of $510,821 compared to gross profit of $1,149,961 for the nine months ended September 30, 2020. The decrease is primarily to the license revenue related to the termination and settlement discussed above and a vendor credit received during the three months ended March 31, 2020.

Operating expenses for the three and nine months ended September 30, 2021 amounted to $705,484 and $2,052,661, respectively, which represent an increase of $10,711 and a decrease of $624,347 when compared to expenses of $694,773 and $2,677,008 for the three and nine months ended September 30, 2020.

Wages and salaries expense for the three and nine months ended September 30, 2021 amounted to $190,004 and $476,159, resulting in decreases of $44,573 and $265,390, when compared to $234,577 and $741,549 for the three and nine months ended September 30, 2020. During the last quarter of fiscal 2019, and into and throughout fiscal 2020, the Company scaled back its operations which resulted in fewer employees on staff during the three and nine month periods ended September 30, 2021 when compared to the prior year. The Company also replaced some full-time employees with part-time contractors that resulted in reduced spending on wages and salaries during the three and nine months ended September 30, 2021.

Professional fees amounted to $233,866 and $732,491 for the three and nine months ended September 30, 2021, an increase of $24,852 and a decrease of $397,002 when compared to expenses of $209,014 and $1,129,493 incurred during the three and nine months ended September 30, 2020. The nine months ended September 30, 2020 included significant audit expenses as well as legal expenses for various matters that did not recur during the nine month period ended September 30, 2021.

During the three and nine months ended September 30, 2021, the Company incurred general and administrative expenses of $96,972 and $267,197 which represent an increase of $9,691 for the three month period, and a decrease of $35,403 for the nine month period when compared to expenses of $87,281 and $302,600 for the three and nine months ended September 30, 2020. The year-over-year increase for the three month period is a function of increased travel during the three months ended September 30, 2021, while the decrease over the nine month periods relate to reduced depreciation and insurance expenses.

During the year ended December 31, 2019, the Company issued 10,207,500 stock options to certain officers, employees and consultants of the Company. In addition, the Company issued 1,670,000 stock options to employees of the Company during the year ended December 31, 2020. The Company also issued 430,000 restricted shares (of which 226,666 had vested as of September 30, 2021) and 2,850,000 restricted share units to employees of the Company during the year ended December 31, 2020. As a result, the Company incurred share-based compensation expense of $25,303 and $141,788 during the three and nine month periods ended September 30, 2021, which were $61,966 and $123,832 less than share-based compensation expense for the three and nine month periods ended September 30, 2020 of $87,269 and $265,620. The fluctuation in expense relates to the vesting periods of the securities as well as forfeitures of certain securities upon exit from the Company.

Sales and marketing expenses amounted to $175,347 and $433,306 for the three and nine months ended September 30, 2021. These amounts represent increases of $103,969 and $210,483 when compared to expenses of $71,378 and $222,823 incurred during the three and nine months ended September 30, 2020. The increased expenses relate to the Company's efforts to promote their chocolate products, particularly in California.

During the three and nine months ended September 30, 2021, the Company incurred product development expenses of $30,000 and $40,000, respectively. The Company did not incur any such expenses during the three and nine month periods ended September 30, 2020.

During the three months ended March 31, 2020, the Company entered into a termination agreement with a licensee pursuant to which the Company received common stock of the other company that were sold during the three months ended March 31, 2020 resulting in a realized loss on disposition of $104,008. The Company had no such transactions during the three and nine months ended September 30, 2021.

Summary of Quarterly Results

The following table shows selected financial information related to the results of the Company´s most recent periods. The information contained in this table should be read in conjunction with the Company´s Financial Statements. The Financial Statements include a restatement of the interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2020 as described in note 33 of the Financial Statements. While the restatements affect the individual fiscal quarters for fiscal 2020, the aggregate results for the year ended December 31, 2020 are not effected. The table below has been adjusted to reflect the effects of the restatements.

Fiscal Year Quarter	2021			2020				2019
	Sep	Jun	Mar	Dec	Sep	Jun	Mar	Dec
	$	$	$	$	$	$	$	$
Revenue	283,019	326,183	272,584	368,027	243,182	227,781	789,091	587,560
Gross (Loss) Margin	173,857	274,761	190,522	(241,098)	139,332	62,568	948,061	(732,466)
Net (Loss) Income	(688,513)	(736,245)	50,335	(963,865)	(2,272,136)	(791,825)	(390,512)	(4,610,434)
Comprehensive Income (Loss)	(730,744)	(705,510)	55,469	(981,885)	(2,258,997)	(818,878)	(390,632)	(4,676,337)
Income (Loss) per share, basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.00)	(0.05)

Factors affecting quarterly results

Fluctuations in quarterly results can be caused by non-recurring items such as transaction costs, due diligence costs and goodwill impairment charges. Net loss for a period can also be affected by the vesting periods of stock options granted as reflected in the amount of share-based compensation included in net loss for the periods, as well as the timing of recognition of expected credit losses and bad debt expenses.

Liquidity and Capital Resources

The Company's cash and cash equivalents position was $154,782 as at September 30, 2021, compared to $69,654 as at December 31, 2020 and $155,095 as at September 30, 2020. The Company had working capital of $586,653 as at September 30, 2021 compared to a working capital deficits of $1,778,284 as at December 31, 2020 and $2,162,273 as at September 30, 2020.

During the nine months ended September 30, 2021, the Company issued 27,240,192 SVS for net proceeds of $1,391,830.

During the year ended December 31, 2020, the Company and a shareholder entered into an operating facility pursuant to which the shareholder will advance up to CAD$1,000,000 (the "Operating Facility") in minimum tranches of CAD$50,000 ("Advances"). The Operating Facility was amended during the year ended December 31, 2020 to increase the Operating Facility to CAD$1,500,000. The advances shall bear interest at a rate of 8% per annum with interest payable monthly in arrears on the first business day of each month. At the option of the lender, any outstanding interest may be converted into SVS of the Company at a price of CAD$0.15 per share. All outstanding Advances are repayable on demand at any time and all outstanding amounts shall be permanently repaid and the Operating Facility cancelled after 36 months from the date of the agreement. The Company may repay the Operating Facility at any time and the lender may be entitled to elect to receive SVS of the Company at a price of CAD$0.15 per share, in place and instead of repayment of the amount outstanding under the Operating Facility. The Operating Facility is secured by a charge on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever situate, including but not limited to any and all registerable and/ or unregisterable intellectual property rights in any and all jurisdictions owned, licensed, and/ or used by the Company and all proceeds thereof, pursuant to and including general security agreements from the Company. As at December 31, 2020, the Company had received advances, and accrued interest, of CAD$1,517,067, in aggregate ($1,191,539). During the nine months ended September 30, 2021, the Company settled the outstanding principal and interest of CAD$1,538,006 by issuing 23,661,623 SVS. Following settlement of the outstanding principal and interest, the Company has the ability to, once again, draw down on the Operating Facility.

During the nine months ended September 30, 2021, the Company spent $1,337,796 on operating activities, with the majority of such cash outflows related to operating expenses and payment of accounts payable and other liabilities. During the nine months ended September 30, 2020, Bhang spent $1,700,442 on operating activities.

During the nine months ended September 30, 2021, the Company's financing activities generated cash of $1,465,662 the majority of which came from the proceeds of the issuance of SVS discussed previously. During the nine months ended September 30, 2020, Bhang generated inbound cash flows of $1,218,230 from financing activities which was also primarily related to advances pursuant to the Operating Facility discussed above, the proceeds of share subscriptions and promissory notes, as well as the disposition of property and equipment.

During the nine months ended September 30, 2021, the Company's investing activities used cash flows of $33,702, which was related to a promissory note receivable and the purchase of property and equipment. During the nine months ended September 30, 2020, investing activities generated cash flows of $324,542 which was the net result of the proceeds of the disposition of marketable securities and an investment in a joint venture.

The Financial Statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business.

There are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern given the presence of net losses and negative cash flows from operations over the past two fiscal years. The ability of the Company to continue as a going concern and to meet its obligations will be dependent upon successful sales of product and generating positive cash flows from operations as well as obtaining suitable financing. Financial Statements do not reflect any adjustment that might result from the outcome of this uncertainty. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to the Financial Statements.

The Company has been successful in raising funds through private placements during the nine months ended September 30, 2021 and has a Credit Facility with funding in the amount of CDN $1,500,000 available with a zero balance as at the date of this MD&A.

Commitments

On September 15, 2019, the Company entered into a consulting services agreement for the provision of marketing services in exchange for a monthly fee of $13,333. The consulting services agreement has an initial term of one year, following which it is automatically renewed for consecutive one-year periods. Either party can terminate the consulting services agreement in whole or in part upon thirty days written notice to the other party.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Outstanding Share Data

As of the date of this MD&A, there are 165,524,439 Subordinate Voting Shares and 34,913.379 Multiple Voting Shares issued and outstanding.

As of the date of this MD&A, the Company has 500,000 Restricted Share Units ("RSU") that will vest on October 2, 2021.

As of the date of this MD&A, the Company has the following stock options outstanding, which are exercisable into SVS:

Number of Options	Exercisable	Exercise Price	Expiry Date
1,870,000	1,870,000	CAD $0.52	July 11, 2022
3,975,000	3,056,250	CAD $0.52	July 21, 2024
220,000	146,666	CAD $0.11	April 21, 2025
1,000,000	1,000,000	CAD $0.075	October 1, 2023
300,000	300,000	CAD $0.10	October 1, 2023
7,365,000	6,372,916		

As of the date of this MD&A, the Company has the following warrants outstanding, which are exercisable into SVS.

Number of Warrants	Exercisable	Exercise Price	Expiry Date
3,571,428	3,571,428	CAD$0.175	February 10, 2022
5,261,905	5,261,905	CAD$0.15	July 17, 2022
6,666,667	6,666,667	CAD$0.15	July 17, 2022
2,400,000	2,400,000	CAD$0.10	December 30, 2021
1,540,000	1,540,000	CAD$0.10	December 30, 2023
19,440,000	19,440,000		

Transactions with Related Parties

During the nine month periods ended September 30, 2021 and 2020, the Company incurred the following related party transactions in addition to the other related party transactions previously described in this MD&A:

i) Licensing and product sales revenue of $38,719 (2020 - $73,947) was recognized on sales to a company controlled by the sibling of the Company's former President and CEO. As at September 30, 2021, accounts receivable included $3,192 (December 31, 2020 - $43,634) owing from this company.

ii) Key Management Personnel consists of the former President and CEO, the former interim President the current President, CEO and COO, and the CFO. The compensation paid or payable to key management for the nine months ended September 30, 2021 includes salaries of $154,167 (2020 - $166,585) and professional fees of $22,500 (2020 - $22,500). Included in share-based compensation for the nine months ended September 30, 2021 was $63,290 (2020 - $148,893) related to the continued vesting of stock options granted to key members of management.

iii) Included in share-based compensation for the nine months ended September 30, 2021 is $6,078 (2020 - 20,918) related to the continued vesting of stock options and $22,415 (2020 - $Nil) related to RSU's granted to current and former directors of the Company.

During the three months ended March 31, 2020, the Company acquired all of the issued and outstanding shares of Founding Fathers and all of the issued and outstanding membership units of Euro Brand from its former President and CEO for total consideration of $200.

Significant Accounting Policies

The Company's significant accounting policies are disclosed in note 7 of the Company's audited financial statements for the year ended December 31, 2020.

Critical Accounting Judgments and Estimation Uncertainties

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Expected Credit Losses

The calculation of the Company's expected credit losses on financial instruments requires management to make a number of estimates including the probability of possible outcomes with regards to credit losses, the discount rate to use for the time value of money, changes to the financial instrument's credit risk as well as other future-oriented factors.

Estimated Useful Lives, Depreciation of Property, Plant and Equipment and Depreciation

Depreciation of property, plant and equipment is dependent upon estimates of useful lives that are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent on estimates of recoverable amounts and include the consideration of economic factors and market conditions, as well as the useful lives of assets.

Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carry forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Fair Value of Financial Instruments

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debt and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Share-Based Compensation

The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-based grants. The Black-Scholes model requires management to make certain assumptions and estimates such as the expected life of the instrument, volatility of the Company’s future share price, risk-free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Classification of Convertible Debt as Financial Liabilities and Equity

Management has concluded that, based on the terms of the convertible promissory notes, the host debt component shall be classified as a financial liability and measured at the present value of the discounted future cash flows at the market rate of similar instruments that do not include a conversion feature. The residual balance, which represents the conversion feature, is classified as a separate component of equity.

Variable Consideration in Revenue from Contracts with Customers

The determination of the amount of variable consideration to recognize is dependent on management's estimate of the most likely amount to which the Company will be entitled and the probability of a significant reversal in that amount. These determinations require management to make estimates based on historical amounts received to estimate future returns and pricing adjustments.

Business Combinations

In a business combination, the identifiable assets, liabilities and contingent liabilities of the acquired Company are recorded at their fair values. The determination of the fair value of these assets and liabilities require significant estimates. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the acquisition. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible assets identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Determination of Cash-Generating Units

Goodwill, property and equipment and intangible assets are allocated to the CGU that represents the lowest level within the Company at which management monitors goodwill, property and equipment or indefinite life intangibles, and not at a level higher than an operating segment. The Company considers each subsidiary to be a CGU. For the purpose of impairment testing for goodwill, the Company allocates the goodwill to the group of CGUs expected to benefit from the synergies of the business combination. For the purpose of impairment testing for intangible assets with indefinite lives, the Company compares the lowest level CGU's carrying amount with its recoverable amount.

Impairment of Long-lived Assets

When determining the recoverable amount of the CGU or CGUs to which goodwill is allocated, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the recoverable amount.

Going Concern

Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgment in arriving at this conclusion including:

i. The amount of revenue to be generated from existing and new licenses to provide sufficient cash flow to fund operations and other committed expenditures;
ii. A reorganization of the Company's products offered for sale to move away from certain goods that have become commoditized;
iii. The ability to convert existing debt into equity;
iv. The ability to enter into new financing agreements; and
v. The streamlining of general and administrative expenses to manage cash flows

Contingencies

Management's determination of the existence of contingencies requires the use of judgment. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also applies judgment to assess the likelihood of the occurrence of one or more future events. When contingencies exist, management estimates the related financial impact to the Company based on the possible outcomes of one or more future events.

Asset Acquisition versus Business Combination

Management's judgment is required to determine whether an acquisition of another company or a group of assets from another company meet the definition of a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If management determines that the acquired company or assets meets the definition of a business, the transaction will be accounted for as a business combination. If management determines that the acquisition does not meet the definition of a business, the transaction will be accounted for as an asset acquisition.

Financial Instruments

Liquidity Risk

The Company's financial instruments consist of cash, marketable securities, trade and other receivables, deposits, accounts payable and accrued liabilities, note payable, other liabilities, convertible promissory notes payable and due to shareholder. It is management's opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments and that the fair value of these instruments approximates their carrying value due to their short-term maturities.

Risk Factors

Investing in the Company involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Company currently believes to be material, but they are not the only ones that the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently consider not to be material, occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company could decline, and an investor could lose part or all of such investor's investment.

United States Regulatory Matters

Marijuana is a Schedule 1 controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Company's business, prospects, results of operation, and financial condition.

The Company derives a substantial portion of its revenues from the marijuana (or "cannabis" used herein) industry in certain states of the United States, which industry is illegal under United States federal law. The Company has ancillary involvement (through its partners and licensees) in the cannabis industry in the United States where certain local state laws permit such activities. In addition to its cannabis industry involvement, the Company also produces and sells CBD products derived from hemp and other hemp products.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 801 et. seq.) (the "Federal CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision.

In the United States cannabis is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the Federal CSA, which makes cannabis use and possession federally illegal. Although certain states 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 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 may apply.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the Federal CSA. Under the Federal CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the cannabis industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss. Since federal law criminalizing the use of cannabis is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Company's business, prospects, results of operation, and financial condition. Due to the federal illegality of cannabis and the charged political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor's contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys 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 herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

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 Federal CSA with respect to medical and/or adult-use 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, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. See Section 17 – Risk Factors in the Listing Statement for additional information on this risk.

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

Please see the table of concordance below for further information on the material facts, risks and uncertainties related to the Company in connection with its involvement in the cannabis industry in the United States.

The Agriculture Improvement Act of 2018 (the "2018 Farm Bill") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes legally produced hemp (including any part of the plant Cannabis sativa L. containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA, and allows for federally-sanctioned hemp production under the purview of the United States Department of Agriculture (the "USDA"), in coordination with state departments of agriculture that elect to have primary regulatory authority. All cannabinoids produced from "marihuana" (or "cannabis" as used herein) remain a Schedule I substance under the Federal CSA and are thus illegal under U.S. Federal law.

On October 29, 2019, the USDA released the text of its interim final rule for regulations establishing a domestic hemp production program. Since this is an interim final rule, it will be in effect immediately upon being published in the Federal Register. In order to produce hemp, a farmer must first be licensed or authorized under a state program or through the USDA hemp program. If a state desires to have primary regulatory authority over hemp production in their borders, they may submit a plan for monitoring and regulating hemp production to USDA. States that have already submitted a plan will be given the chance to reaffirm the plan they want USDA to evaluate, or to submit a new plan if desired. The rule also establishes a USDA plan to regulate hemp production in states or areas where hemp production has been legalized, but no approved state plan is in place. Farmers may not grow hemp in states that have not legalized its production within their borders.

Despite the passage of the 2018 Farm Bill and the release of the USDA's interim final rule, several risks remain, including those arising from the complex regulatory environment in the United States and the uncertain reaction of industry stakeholders and the general public to the recent changes.

Although the U.S. Food and Drug Administration (the ''FDA'') is considering ways to best address this issue, the agency has not deemed CBD or other individual cannabinoids permissible for use in dietary supplements, as dietary ingredients or as safe for use in food. The FDA has taken the position that CBD cannot be marketed in a dietary supplement or added to food because it has been the subject of investigation as a new drug. In addition, the FDA is currently challenging whether similar products of other companies can be sold in the U.S. without FDA approvals which have not yet been obtained. See section 17 "Risk Factors" and Section 3.3(2) – "United States Regulatory Matters – CBD Hemp" in the Listing Statement for further details.

Additional legal barriers applicable to producing and selling hemp and hemp-derived CBD products result from a number of factors, including the fact that both hemp and cannabis (marijuana) are derived from the same plant species, the rapidly-changing patchwork of state laws governing hemp and hemp-derived CBD, and the FDA's position that CBD cannot be added food or marketed as a dietary supplement, i.e., the IND Preclusion.

In addition, prior to the 2018 Farm Bill becoming law, the U.S. Drug Enforcement Administration (the "DEA") made public statements suggesting that CBD is a controlled substance, and that the retail sale as such would be prohibited. To the knowledge of the Company, the DEA has not expressed its position with respect to the 2018 Farm Bill, which amended the Federal CSA to exempt hemp, and THC naturally occurring in hemp, from the definition of "marihuana" (or "cannabis" as used herein) in the Federal CSA.

Even after the passage of the 2018 Farm Bill, there is risk that the FDA and/or the DEA could take law enforcement actions against the Company, and there is risk that changes in federal or state regulations could impact the legality of the operations of the Company.

There is also risk that state or local authorities could take enforcement action against the Company.

Any investment in the Company is speculative due to a variety of factors, including the nature of the Company's business. An investment in the Company should only be made by persons who can afford a total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Company's business activities.

If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures, any of which could adversely affect the Company's business and financial results, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, operating results, profitability or liquidity or the market price of its publicly traded 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.

There can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

See the Company's Listing Statement dated July 9, 2019 as found under the Company's SEDAR profile (the "Listing Statement") for further details and risks relating to cannabis regulatory issues in the United States.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. 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. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

U.S. State Regulatory Uncertainty

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 the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses. In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company'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 Company's business. The Company 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 the Company's business, results of operations, financial condition or prospects.

Regulatory Scrutiny

The Company'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. As a result, the Company 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 the Company's ability to carry on its business in the United States.

The Company's business in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company 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 the Company's ability operate in the United States. Increased scrutiny by the Canadian regulators is likely to increase the cost of compliance and may adversely affect the profitability of the business of the Company.

Constraints on Marketing Products

The development of the Company'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 the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Proceeds of Crime Statutes

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

In February 2014, the Financial Crimes Enforcement Network ('FinCEN') of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the FinCEN Memorandum). The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Federal CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk would appear to be diminished because hemp-related activities that are in compliance with the 2014 and/or 2018 Farm Bill are not in violation of the Federal CSA, there is no certainty that such is the case.

If any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada 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 the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on the Subordinate Voting Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Related to the Ability to Trade Securities in Canada

The Company's existing involvement in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc.

("CDS"), refuse to settle trades for cannabis companies that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of companies with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

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

Limited Trademark Protection

The Company will not be able to register any United States federal trademarks for its cannabis-derived THC products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the Federal CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

Lack of Access to U.S. Bankruptcy Protections.

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Legality of Contracts

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Newly Established Legal Regime

The Company business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical 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 regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

Civil Asset Forfeiture

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

Ability to Access Public and Private Capital

Due to the present state of the laws and regulations governing financial institutions in the United States, banks often refuse to provide banking services to businesses involved in the cannabis industry. Consequently, the Company is not able to obtain bank financing in the United States or financing from other United States federally regulated entities. The Company has historically, and continues to have, robust access to equity and debt financing from prospectus exempt (private placement) markets in the United States. The Company's executive team and board have extensive relationships with sources of private capital (such as funds and high net worth individuals). The Company expects to generate adequate cash to fund its continuing operations, however, there can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable.

Liability for Actions of Employees, Contractors and Consultants

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

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company 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 the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company 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 the Company's business, financial position or results of operations.

Inability to Protect Intellectual Property

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

The Company's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

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

Trade Secrets may be Difficult to Protect

The Company's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because the Company operates in a highly competitive industry, it relies in part on trade secrets to protect its proprietary products and processes. However, trade secrets are difficult to protect.

The enforcement of a claim alleging that a party illegally obtained and was using the Company's trade secrets could be difficult, expensive and time consuming and the outcome could be unpredictable. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

Use of Customer Information and Other Personal and Confidential Information

The Company collects, process, maintains and uses data, including sensitive information on individuals, available to the Company through online activities and other customer interactions with its business. The Company's current and future marketing programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. The Company strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Company's practices or fail to be observed by its employees or business partners. If so, the Company may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt the Company's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

The Company is a Holding Company

The Company is a holding company and essentially all of its assets are the capital stock of its operating subsidiary. As a result, investors in the Company are subject to the risks attributable to its operating subsidiary. As a holding company, the Company conducts substantially all of its business through its operating subsidiary, which generates substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its operating subsidiary and the distribution of those earnings to the Company. The ability of this entity to pay dividends and other distributions will depend on its operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such entity and contractual restrictions contained in the instruments governing its debt. In the event of a bankruptcy, liquidation or reorganization of the Company's operating subsidiary, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of the operating subsidiary before the Company.

Sales of Substantial Amounts of Subordinate Voting Shares May Have an Adverse effect on the Market Price of the Subordinate Voting Shares

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the market prices of the Subordinate Voting Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile Market Price for the Subordinate Voting Shares

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;

- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Subordinate Voting Shares;
- sales or perceived sales of additional Subordinate Voting Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

Liquidity

The Company cannot predict at what prices the Subordinate Voting Shares of the Company will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

Reliance on Management

Success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company 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 the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Emerging Industry

The recreational cannabis industry is emerging. There can be no assurance that an active and liquid market for shares of the Company will develop and shareholders may find it difficult to resell their Subordinate Voting Shares. Accordingly, no assurance can be given that the Company or its business will be successful.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Litigation

The Company may become party to litigation from time to time which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Subordinate Voting Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of Bhang and/or the Company.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the

Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or 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 the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

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 the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Recall of products could lead to adverse publicity, decreased demand for the Company's products and could have significant reputational and brand damage. Although the Company 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 the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the FDA, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

The Company will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of recreational cannabis in the states in which the Company will operate its business increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company 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.

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

Creating. Maintaining and Promoting the Company's Brand

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

Limited Market for Securities

The Subordinate Voting Shares will trade on the CSE, however, there can be no assurance that an active and liquid market for the Subordinate Voting Shares will develop or be maintained in order to consider market equity funding.

Risk of Damage to Reputation and Negative Publicity

The Company's ability to retain existing management contracts and client relationships and to attract new business is dependent on the maintenance of its reputation. The Company is vulnerable to adverse market perception as it operates in an industry where a high level of integrity and investors trust is paramount. Any perceived, actual or alleged mismanagement, fraud or failure to satisfy the Company's responsibilities, or the negative publicity resulting from such activities or the allegation by a third party of such activities (whether well founded or not) associated with the Company, could have a material adverse effect on the financial condition, results or operations of the Company.

Risks in Fluctuations in Foreign Currency

Fluctuations in the value of Canadian and US currencies in which the Company may generate revenues or incur costs may be difficult to predict and could cause the Company to incur currency exchange losses. Receivables and liabilities in currencies other than the functional currency could also move adversely to the Company from the date of accrual by the Company to the date of actual settlement of receivables or liabilities in a currency other than the functional currency. A disparity between the accrual and settlement amounts due to currency exchange costs could have a material adverse effect on the Company's business. The Company cannot predict the effect of exchange rate fluctuations on future operating results. Future fluctuations in currency exchange rates could materially and adversely affect the Company's business. The Company does not hedge and does not plan to hedge against the foreign currency exposure.

Risk of Inability to Enforce Legal Rights in Certain Circumstances

In the event a dispute arises in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are governed or located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities legislation.

The Company has limited operating history, a history of losses and the Company cannot assure profitability.

As the Company has yet to generate profits, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Company operates in the cannabis industry, which is rapidly transforming. There is no guarantee that the Company’s products or services will continue to be attractive to existing and potential consumers.

Inability to Sustain Pricing Models

Significant price fluctuations or shortages in the cost of materials may increase the Company’s cost of goods sold and cause its results of operations and financial condition to suffer. If the Company is unable to secure materials at a reasonable price, it may have to alter or discontinue selling some of its products or attempt to pass along the cost to its customers, any of which could adversely affect its results of operations and financial condition. Additionally, increasing costs of labour, freight and energy could increase its and its suppliers’ cost of goods. If its suppliers are affected by increases in their costs of labour, freight and energy, they may attempt to pass these cost increases on to the Company. If the Company pays such increases, it may not be able to offset them through increases in its pricing, which could adversely affect its results of operations and financial condition.

Uncertainty about the Company’s ability to continue as a going concern.

The Company may seek additional capital, as well as consider possible mergers, acquisitions, joint ventures, partnerships and other business arrangements intended to expand its product offerings in the cannabis industry and grow its revenue. The Company’s ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management.

The Company’s actual financial position and results of operations may differ materially from management’s expectations. As a result, the Company’s revenue, net income and cash flow may differ materially from the Company’s projected revenue, net income and cash flow. The process for estimating the Company’s revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related branded products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.

The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

Conflict of Interest

Certain of the Company's directors and officers are also directors and officers of other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the *Business Corporations Act* (Ontario), directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required to disclose that interest and generally abstain from voting on any resolution to approve the contract.

General Economic and Political Risks

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation or unemployment, consumer trends and spending and an outbreak of a public health crisis including epidemics, pandemics or outbreaks of new infectious diseases or viruses, as well as related events that can result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and services or goods. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Global Economic Uncertainty

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

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

Global Outbreak of COVID 19 (Coronavirus)

During the year ended December 31, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the federal, state, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders in Canada and the United States. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, the United States and other countries to fight the virus. While the extent of the impact is unknown, we recognize this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

The COVID-19 pandemic has forced the Company to reassess some of its business plans and priorities given the uncertain economic future. For example, the Company's launch into new states has been delayed and, in some cases, may be put on hold for the moment. Bhang's licensee sales and ability to produce chocolate in California has been reduced due to social distancing policies and/or delivery only rules in certain municipalities in California. Producing chocolate within social distancing rules has limited the number of people who can be in a factory at any one time. Although Bhang itself does not produce cannabis products, these cover-related factors have had an impact on the Company's actual operations. Working with Bhang's licensees during COVID-19 quarantine has required an extra amount of coordination and paperwork and logistics management between its licensees and internal Bhang departments.

The impacts of the COVID-19 pandemic may also include: a decrease in demand for the products; a reduction in production levels; increased costs resulting from the Company's efforts to mitigate the impact of the COVID-19 pandemic on operations; a deterioration of worldwide credit and financial markets that could limit the Company's ability to obtain external financing to fund the Company's capital expenditures or its operations; and a disruption to the Company's distribution channels or supply chains.

A material adverse effect on the Company’s licensees, employees, customers, suppliers and/or distributors could have a material adverse effect on the Company.

The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand (across all sectors), service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The overall severity and duration of COVID-19-related adverse impacts on the Company’s business will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which licensees, suppliers and distributors can return to full production, the status of labour availability and the ability to staff operations and facilities. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse impacts to its business as a result of the global economic impact, including any related recession.

See Section 17 ‘‘Risk Factors” of the Company’s Listing Statement for additional risks relating to the Company.

Canadian Securities Administrators Staff Notice 51-352 (Revised)

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“Staff Notice 51-352”), below is a table of concordance that addresses the disclosure expectations outlined in Staff Notice 51-352. The Company has ancillary involvement in the US marijuana industry through its intellectual property licensing program in which Bhang branded marijuana products are manufactured and sold by its licensees in states where they are permitted to sell marijuana products. Bhang licenses only its intellectual property (brand and recipes) to these licensees and also provides them with packaging and molds to assist them with production and distribution. The Company does not directly own, hold or handle any marijuana or marijuana derived products.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuer Companys with U.S. Marijuana-Related Activities	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.	*The Company has ancillary involvement in the US marijuana industry through its intellectual property licensing program in which Bhang branded marijuana products are manufactured and sold by its licensees in states where they are permitted to sell marijuana products.*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*See above under “United States Regulatory Matters”*
	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.	*See Listing Statement Section 3.3– Trends, Commitments, Events or Uncertainties – Regulation of marijuana in the United States Federally* *See above under “Risk Factors”*
	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.	*See above under “Risk Factors”*
	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.	*The Company has historically relied on equity financings to satisfy its capital requirements and will continue to depend upon equity capital to finance its planned development and expansion activities moving forward.* *See above under “Risk Factors”*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana -related activities.	*The Company estimates that 26% of its balance sheet in the Financial Statements relates to its marijuana related business.*
	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.	*The Company receives legal advice from U.S. attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company and its U.S. counsel continue to monitor compliance very carefully.*
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	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.	*N/A*
	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 licence, business activities or operations.	*N/A*
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*N/A*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the Company is aware, that may have an impact on the investee's licence, business activities or operations.	*N/A*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*To the best of Company's knowledge, all companies to which it licenses its intellectual property are in compliance with the State marijuana laws in which it operates.*

Contingencies

a) During the year ended December 31, 2020, an action for wrongful dismissal by a former officer of Bhang was filed against Bhang claiming US$475,000, plus CAD$250,000 for moral damages and CAD$1,000,000 for aggravated and punitive damages, plus costs and interest and other unspecified amounts. The Company believes the damages claimed are remote and exaggerated. During the year ended December 31, 2019, Bhang terminated the former officer's employment for cause. As at December 31, 2020, the Company and the former officer reached a settlement pursuant to which the Company is to make aggregate payments of $75,000 with the last payment having been paid February 19, 2021.

Internal Control over Financial Reporting and Disclosure Controls and Procedures ("DC&P")

Management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely.

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the Company may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.