LIBERTY HEALTH SCIENCES INC.
MANAGEMENT'S DISCUSSION & ANALYSIS

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Liberty Health Sciences Inc., (the "Company" or "Liberty"), is for the three and nine months ended November 30, 2020. It is supplemental to, and should be read in conjunction with, the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended November 30, 2020 (the "Q3 2021 Financials") as well as the audited consolidated financial statements for the year ended February 29, 2020.

The Company's condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report, and should be read in conjunction with the audited financial statements of the Company for the fiscal year ended February 29, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators, and Staff Notice 51-352 (Revised) – Issuers with US Marijuana Related Activities ("Staff Notice 51-352").

Additional information regarding Liberty Health Sciences Inc. is available on our website at www.libertyhealthsciences.com *or through the SEDAR website at www.sedar.com.*

This MD&A contains forward-looking information and forward-looking statements within the meaning of Canadian securities laws and United States securities laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. 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.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance, or business developments. These statements speak only as of and at the date they are made and are based on information currently available and on the then current expectations. Holders of securities of the Company are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of the Company at the time they were provided or made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

We use words such as "forecast", "future", "should", "could", "enable", "potential", "contemplate", "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties.

Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:
- *the intention to grow the business and operations and activities of the Company;*
- *expectations regarding the Company's growing capacity;*
- *the expected performance of the Company's business and operations;*
- *expectations for the effects of COVID-19 on the business' operations and financial condition;*
- *the Company's expectations regarding revenues, expenses and anticipated cash needs;*
- *the build-out of the Company greenhouse infrastructure and the respective costs and timing associated therewith;*
- *the competitive conditions of the industry;*
- *any commentary related to the legalization of cannabis and the timing related thereto;*
- *the applicable laws, regulations and any amendments thereof;*
- *the competitive and business strategies of the Company;*
- *the renewal of licenses;*
- *the framework for the enforcement of medical cannabis and cannabis-related offenses in the United States; and*
- *the grant and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof for any state in which the Company does business.*

Many factors could cause actual results, performance, or achievement to be materially different from any future forward-looking statements. Factors that may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events, and other business risks. These forward-looking statements are as of the date of this MD&A and the Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

Forward-looking statements may include, but are not limited to, risks and uncertainties related to: business structure risks; legal and regulatory risks inherent in the cannabis industry; financing risks related to additional financing and restricted access to banking; general regulatory and legal risks including risk of civil asset forfeiture; risks relating to anti-money laundering laws and regulations; lack of access to U.S. bankruptcy protections, heightened scrutiny by regulatory authorities; risk of legal, regulatory or political change, general regulatory and licensing risks, limitations on ownership of licenses, regulatory action and approvals from the Food and Drug Administration and risks of litigation; environmental risks including environmental regulation and unknown environmental risks; general business risks including risks related to COVID-19 pandemic, risks of leverage, risks related to the convertible debt, access to capital markets, unproven business strategy, service providers, enforceability of contracts; reliance on the expertise and judgment of senior management of the Company, and ability to retain such senior management; risks inherent in an agricultural business; unfavorable publicity or consumer perception, product liability, product recalls, results of future clinical research, difficulty attracting and retaining personnel, dependence on suppliers, reliance on inputs, limited market data and difficulty to forecast, intellectual property risks, constraints on marketing products, fraudulent or illegal activity by employees, contractors and consultants, information technology systems and cyber-attacks, security breaches, reliance on management services agreements with subsidiaries and affiliates, website accessibility, high bonding and insurance coverage, future acquisitions or dispositions; management of growth, performance not indicative of future results and financial projections may prove materially inaccurate or incorrect, conflict of interest; tax risks as well as those risk factors discussed elsewhere in this MD&A and in the Company's Annual Information Form.

The discussion of risk factors in this MD&A has been updated to include discussion of risks related to the current pandemic caused by the spread of the novel coronavirus ("COVID-19"). The nature and scope of the pandemic and its impact are rapidly developing and it is difficult for management to identify at the current time all risks, or quantify those identified, or to assess their impact on particular financial measures and operating results. Nevertheless, discussion under "Risk Factors" identifies potential areas of negative potential impact that may be caused by the pandemic.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this MD&A as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, and the general expectations of the Company concerning the industry and the Company's business and operations are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

In this MD&A, reference is made to gross profit before biological asset adjustments, gross margin before biological asset adjustments and adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"), which are not measures of financial performance under IFRS and may not be comparable to similarly titled measures used by other companies. The Company calculates each as follows:

- *Gross profit before biological asset adjustments is equal to gross profit less the non-cash change in the fair value on harvest and less the non-cash change in the fair value on cost of goods sold, if any. Management believes this measure provides useful information as it removes non-cash adjustments required by IFRS to provide greater comparability.*
- *Gross margin before biological asset adjustments is gross profit before biological asset adjustments divided by revenue. Management believes this measure provides useful information as it represents the gross profit based on the Company's cost to produce inventory sold and removes fair value metrics required by IFRS.*
- *Adjusted EBITDA is net income (loss), plus (minus) income taxes (recovery), plus (minus) foreign exchange loss (gain), plus (minus) change in fair value of embedded derivative, plus interest accretion, plus share-based compensation, plus depreciation, plus interest expense, plus change in fair value of biological assets, plus change in fair value in cost of goods sold, as determined by management. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations.*

All amounts in this MD&A are expressed in Canadian dollars, unless otherwise indicated.

This MD&A is prepared as at January 29, 2021.

COMPANY OVERVIEW

Liberty Health Sciences Inc. is a producer and retailer of cannabis products aimed at improving the quality of people's lives. Liberty's focus is solely on the United States market where it produces high-quality products at a low cost. Through its wholly owned subsidiary, DFMMJ Investments, LLC (d/b/a Liberty Health Sciences Florida) ("Liberty Florida"), Liberty is licensed to produce and sell medical cannabis products in Florida. The Company is focused on acquiring other cannabis business and expanding its operations throughout the United States.

Liberty's common shares (the "Common Shares") are listed under the symbol "LHS" on the Canadian Securities Exchange ("CSE") and the OTC Markets OTCQX Best Market ("OTCQX") in the United States under the symbol "LHSIF".

Liberty was incorporated under the Business Corporations Act (British Columbia) (the "BCBCA") on November 9, 2011 as SecureCom Mobile Inc. ("SecureCom"). On July 20, 2017, 1006397 B.C. Ltd. ("Subco"), a British Columbia Company and wholly-owned subsidiary of SecureCom, completed a business combination (the "Business Combination") with DFMMJ Investments, Ltd. ("Holdco") whereby SecureCom acquired all of the issued and outstanding shares of Holdco by way of a three-cornered amalgamation. Holdco amalgamated with Subco under the BCBCA to form a wholly owned subsidiary of SecureCom named "Liberty Health Sciences USA Ltd.". Concurrently with the Business Combination, SecureCom changed its name to "Liberty Health Sciences Inc.".

STRATEGY AND OUTLOOK

Liberty's business strategy is to acquire and operate cannabis operations in the United States in those states that are heavily populated with limited licenses. The Company is currently active in Florida. In the U.S., thirty-three states and the District of Columbia have legalized the use of medical cannabis for patients with certain qualifying conditions. In most of these states where the use of medical cannabis is legal, a regulatory framework is in place whereby patients can receive a recommendation from a certified physician to purchase medical cannabis in approved dispensaries.

Liberty has the know-how and expertise to transform targeted investments into low-cost operations that produce high quality cannabis products while delivering value to its shareholders. Liberty has established strong relationships with producers of topicals, transdermal products, vaporizers, concentrates, and extracts in Florida and will pursue business opportunities in other states where possible.

Florida Operations

Florida's medical cannabis program was introduced in June 2014 when the Florida Legislature passed the Compassionate Medical Cannabis Act of 2014 ("CMCA").

The CMCA permitted low-THC cannabis oils to be dispensed and purchased by patients suffering from cancer and epilepsy. Under this program, six organizations called Dispensing Organizations were licensed to dispense low-THC cannabis to patients.

In November 2016, Florida voters approved the Amendment 2, the Florida Medical Marijuana Legalization Initiative, ballot measure with 71% of the vote. This constitutional amendment expanded the program by allowing the production of medical marijuana with unlimited THC levels.

In June 2018, Governor Scott signed Senate Bill 8-A: "Medical Use of Marijuana," which outlined how patients can qualify and receive medical cannabis under the state's constitutional amendment. The bill also increased the number of available MMTC licenses to 17, with 14 of these licenses issued as of the end of 2018. In April 2019, as the result of a joint settlement, the state awarded additional licenses, and as of the date hereof a total of 22 licenses have been granted in the state.

A single MMTC license allows for the cultivation, processing, and dispensing of cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries statewide. With each additional 100,000 qualified patients, the dispensary cap increased by five for each MMTC. However, the limit on dispensaries expired in April of 2020. There is now no limit on the number of facilities a MMTC may operate.

Permitted products originally included oil-based formulations. In May 2018, a district court judge ruled that Florida's medical cannabis constitutional amendment requires the Department of Health to permit sales of smokable medical cannabis flower. Smokable flower was introduced as a permitted form factor in March 2019, shortly after Governor DeSantis signed a bill that repealed the state's ban on smokable medical cannabis flower. On August 26, 2020, the Florida Department of Health published rules for edible medical marijuana, allowing edible medical marijuana to enter the Florida market.

Each MMTC is required to cultivate and process all medical cannabis products they dispense. Wholesale transactions are prohibited absent a demonstrated crop failure. Home delivery is permitted.

In a highly unusual move, the Florida Supreme Court on July 14, 2020, ordered a second round of arguments in a battle about whether the state has properly carried out a 2016 constitutional amendment that broadly legalized medical marijuana. Justices heard arguments in May in a lawsuit filed by Florigrown, a Tampa-based firm that has challenged the constitutionality of a 2017 law that was designed to carry out the constitutional amendment. The case centers on parts of the law related to the licensing of companies to operate in the medical-marijuana industry. But the Supreme Court on July 14th issued an order scheduling another round of arguments Oct. 7 on an issue that was not a focus of the first hearing — whether the 2017 law is what is known as an unconstitutional "special" law. The Florida Constitution bars "special" laws that, generally, are intended to benefit specific entities. Florigrown, which has unsuccessfully sought a medical-marijuana license, contends that parts of the 2017 law improperly limited the firms that could take part in the industry.

The Company holds a vertically integrated medical cannabis license issued in the state.

In the State of Florida, Liberty completed the cultivation portion of its initial retrofit activities at its 387-acre Liberty 360 Innovation Campus ("Liberty 360") property in March 2019, bringing 190,000 square feet of greenhouses online. Improvements and additions continued through 2020 that included adding additional drying rooms, replacing greenhouse roof panels, upgrading irrigation and fertilization equipment, adding HVAC and grow lights capacity, constructing 5 new hoop houses, and adding to processing and packaging capacities. The full cultivation production capacity of the campus is approximately 67,000 kgs annually (wet weight).

The Company has invested in a substantial infrastructure for ethanol extraction to increase its oil processing efficiency. In addition, the Company has also invested in processing and packaging equipment and infrastructure in preparation for the production of edible cannabis products.

Liberty has opened 29 dispensaries throughout Florida as at the date of the publication of this MD&A, with 27 dispensaries opened as of November 30, 2020. The Company had opened 23 dispensaries as at the end of the fiscal year ended February 29, 2020. Liberty has plans to have 31 dispensaries by the end of fiscal 2021. The Company has lease agreements in place for another eleven locations that will give the Company solid coverage in the key Florida markets with strong demand for medical marijuana products. To better serve Florida's expanding patient base, Liberty also provides free door-to-door delivery services out of several of its dispensaries.

Liberty continues to expand its product offerings and has added several new brand relationships to date in order to offer greater choice to its patients. Liberty currently works with best-in-class brands to bring vaporizer hardware, concentrates, topicals, pre-rolled cannabis cigarettes and other product lines to supplement its own house brand product lines. With the positive reaction to the Company's rollout of whole flower products, Liberty expects its sales to continue to grow steadily as it expands its dispensary reach and product offerings.

As previously reported, during the quarter ended August 31, 2020, the Company announced a strategic partnership with Seed Junky Genetics and rolled out a variety of products to all its Florida locations starting in November 2020.

During the quarter ended November 30, 2020, the Company announced its plans to introduce an assortment of edible products beginning with Big Pete's and Clarity Brands products.

Also, during the quarter ended November 30, 2020, Liberty announced a licensing agreement with VCC Brands, also known as The Venice Cookie Company, a leading manufacturer and distributor of CBD and cannabis infused beverage and edible products.

On December 31, 2020, the Company received approval from Florida Department of Agriculture and Consumer Services (FDACS) to begin the manufacturing of edibles products. The Florida Department of Health Office of Medical Marijuana Use will conduct final inspection for medical cannabis edibles production in mid-February.

The Company remains committed to introducing an edible line of products even though it has experienced delays compared to its initial announced timeline. The Company currently plans to begin its edibles product launch with three flavors of five milligram soft chews in March under the VCC brand. In addition, the Company plans to launch chocolate chip cookies under the Big Pete's brand in April. Also, the Company is planning its release of three flavors of 10 milligram soft chews under its own brand.

The Company experienced some setbacks that resulted in lower revenue in the three months ended November 30, 2020. The reductions were a result of operational issues at the production facility in Gainesville that resulted in a significant decrease in the number of plants harvested, the yields, and the products available for sale. Management has taken action and has been addressing the issues. December and January month to date results show a recovery in revenues.

The Company has reached a milestone in the volume of derivative products produced because of its investment in ethanol processing. Vape product sales are at an all-time high. Also, whole flower sales recovered in the month of December and January month to date. Results through mid-January indicate that quarter over quarter revenue growth will resume in the fourth quarter as inventory available for sale was reestablished at the Company dispensaries.

Impact of COVID-19

COVID-19 started to develop toward the end of our fiscal year, with the first confirmed cases of coronavirus being detected in Florida on March 1st.

Since February 29, 2020, the markets have been negatively impacted by the novel Coronavirus, or COVID-19. Following the fiscal year ended February 29, 2020, despite the number of confirmed COVID-19 cases and deaths continuing to increase, the Company's dispensaries continued to operate as at November 30, 2020, albeit not without challenges. Like many other businesses, the Company's business has been affected by external pressures such as family care, childcare closings, school closings, etc. These external pressures have caused numerous employees to take leave which has slightly affected our business. In addition, a substantial number of jobs were lost in the middle of this pandemic crisis, likely affecting the Company's patients' income, and ultimately affecting their spending on the Company products. The Company's retail operations are subject to store closures, as is the case with other Company facilities. The Company's supply chain is subject to disruptions, and the Company's sales could be affected by customers avoidance of public and retail places. In addition, the Company has strategically delayed its store openings due to the coronavirus pandemic. Other strategic actions included the temporary lifting of our delivery fees and offering curbside pickup.

While the coronavirus pandemic is rapidly evolving and there are many factors for which the impacts are unknown, management continues to assess the situation regularly. To date, being an essential business serving the medical needs of its patients, the Company's business has proven to be more resilient than other sectors of the economy in this pandemic. Barring any significant changes for which management might not have control, management considers that it is reasonably likely to expect the business to continue showing resilience.

As at November 30, 2020, the Company's asset carrying values were not impaired due to coronavirus. However, the ultimate impacts of the COVID-19 or any epidemic crisis are dependent on highly uncertain future events and developments which cannot be predicted, and which may have the potential to affect the Company's business, its results of operations and its financial condition. COVID-19 has resulted in significant economic and regulatory uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.

HIGHLIGHTS

Rollout of Liberty Health Sciences Dispensaries

Liberty Florida is licensed to operate as a Medical Marijuana Treatment Center ("MMTC") under applicable Florida law and to possess, cultivate, process, dispense and sell medical marijuana in the State of Florida pursuant to the terms of the license (the "Florida License") issued by the Florida Department of Health, Office of Medical Marijuana Use (the "Florida Department") under the provisions of the *Senate Bill 8A, Fla. Stat. 381.986 et seq* (the "Florida Legislation"). The Company opened its inaugural dispensary in January 2018 in the Villages community in north-central Florida and opened an additional nine dispensaries during the fiscal year 2019**.** During the first quarter of fiscal 2020, Liberty opened four more dispensaries, bringing its total dispensary count to 14 at May 31, 2019. During the second quarter of fiscal 2020, the Company opened another two dispensaries, increasing total dispensary count to 16 as at August 31, 2019. During the third quarter of fiscal 2020, Liberty opened another three dispensaries, increasing total dispensary count to 19 as at November 30, 2019. During the fourth quarter of fiscal 2020, the Company opened another four dispensaries, increasing total dispensary count to 23 as at February 29, 2020.

During the first three quarters of fiscal year 2021, Liberty opened four dispensaries, bringing its total dispensary count to 27 as at November 30, 2020. The Company announced the opening of a new dispensary in December, and a new dispensary in January, bringing the total number of dispensaries to 29 as at the date of publication of this MD&A. The Company has lease agreements in place for another eleven locations. Liberty has plans to have 31 dispensaries by the end of fiscal 2021, all subject to local municipal permitting and approval by the Florida Department of Health.

Patient Growth

The medical cannabis marketplace in Florida is in its early stages, which is evidenced by the fact that approximately 467,405 active patients have been added to the Medical Marijuana Use Registry as of January 21, 2021 statewide. With over 20 million residents, Florida's potential patient base is vast. The number of physicians who are qualified to recommend medical cannabis has expanded, which has significantly increased the number of registered patients since the beginning of 2018. There are now over 2,727 qualified physicians in the State of Florida who can access medical cannabis for their patients. Patient volume is expected to continue increasing at a rapid pace considering the expanded medical uses as well as the broad availability of high-quality THC products, and the availability of smokable flower products to the Florida market. With expanded production capabilities, a primary goal of the business moving forward is the acquisition of qualified patients.

The Company continues to grow its number of patients as the overall Florida market increases in terms of registered patients and as the Company expands its footprint in the state. The Florida market reacted positively to Liberty's introduction of whole flower products which continues to help expand Liberty's customer base.

The Company endured minor setbacks affecting the availability of Company products at its retail dispensaries, causing revenue to temporarily decrease. The Company believes that these setbacks were temporary in nature, and that with the reestablishment of inventory available for sale at the Company's dispensaries, that revenue levels will continue to increase.

Product Offerings

Liberty announced several licensing and distribution agreements to date, including the following:

The Company announced in May 2018 that an amended licensing agreement was signed with Aphria Inc. ("Aphria") to add Solei Sungrown Cannabis to the Company's growing list of brands in the state of Florida. In August 2018, the Florida Department of Health approved the Solei line of products for sale. Aphria's RIFF line of products was subsequently approved by the Florida Department of Health in October 2018. Subsequent to the termination of the Company's agreements with Aphria in October 2018, Liberty phased out its Solei and RIFF products. The Company's Aphria branded products, as well as Liberty's house brand products, were also regrouped and rebranded under the Zentient and Pretty Pistil brand names in June 2019.

In September 2018, Liberty announced that it had signed an agreement with PAX Labs Inc. to distribute the award-winning PAX Era cannabis oil vaporizer in Florida. A variety of strains have been released under Liberty's licensed brands for use in the PAX Era device, including Mary's Medicinals.

In December 2018, the Company announced the launch of Zentient Labs, a line of premium, hemp-based CBD products. Zentient Labs includes a line of products across numerous categories including an athletic line, a wellness line, a beauty line, and a pet products line.

In March 2019, the Company announced a license agreement with the Werc Shop, a scientific consulting group recognized for its expertise in cannabis terpene analysis and terpene-based formulations. Liberty expects to leverage this partnership to create formulations for its Zentient and Pretty Pistil in-house brands, announced in June 2019.

In June 2019, the Company announced new partnerships with Papa's Herb™ and Lemon and Grass. Papa's Herb™ is a line of accessibly priced, THC smokable flower products, including pre-rolls and whole flower. The Lemon and Grass brand offers a portfolio of cannabis pain relief products, expanding Liberty's oral and topical product lines.

In December 2019, the Company announced a new partnership by which it expanded its product offerings, introducing the G Pen product line of personal, portable devices in all its dispensaries. Grenco Science, the maker of the G Pen Gio, Pro, Connect, Elite and Nova, is a leader in engineering advanced cannabis vaporizers, known for its aesthetics, portability, functionality, and user experience.

In March 2020, the Company announced a new partnership by which it expanded its product offerings, introducing the Clarity product line of closed system pods and inhalation cartridges in all its stores.

In April 2020, the Company also announced it had recently introduced the all-new Papa's Herb classic 510 Cartridge pen to its Papa's Herb line, further extending its popular offering of G Pen devices which now includes Roam, Elite, Connect, Gio, Pro, and Nova.

In June 2020, the Company announced it will launch DomPen in all its locations, extending the Company portfolio of top selling vape pens.

In August 2020, the Company announced a strategic partnership with Seed Junky Genetics to roll out a variety of products to all of its Florida locations between November and December of 2020.

In September 2020, the Company announced a licensing agreement with VCC Brands, also known as Venice Cookie Company, a leading manufacturer and distributor of CBD and cannabis infused beverage and edible products.

With the latest additions to the brand portfolio, brands offered by the Company include:

Clarity Brands: Clarity Brands promotes the clarification of body and soul through the use of cannabis products that are lab tested and locally farm grown.

Zentient: Zentient represents a line of premium CBD and THC balanced products including topicals, vapes, and oral solutions made from a proprietary formula of ultra-high-quality cannabinoids and future flower offerings.

Pretty Pistil: Pretty Pistil brings a balanced approach to high quality cannabis experiences for patients with a sophisticated taste.

Papa's Herb™: Papa's Herb™ specializes in providing quality flower products at an accessible price-point.

Mary's Medicinals™: Mary's Medicinals™ is best known as the developer and exclusive distributor of its award-winning transdermal cannabis patch. Mary's Medicinals is transforming how people view and utilize cannabis, developing products that maximize the benefits of cannabinoids, terpenes, and other plant nutrients.

G Pen: G Pen™'s line of user-friendly, portable cannabis vaporizers include Gio™, G Pen Dash™, G Pen Nova™, G Pen Connect™, G Pen Elite™, and Roam™. The G Pen family of vaporizers are available to Company's customers following the formalization of its relationship with Grenco Sciences**®,** a leader in engineering advanced cannabis vaporizers, known for its aesthetics, portability, functionality, and user experience.

PAX™: PAX Labs is a leader in the design and development of premium cannabis vaporization technologies and devices known for its portable and discreet PAX 2 and PAX 3™ vaporizers for dry herb and extracts.

lemon and grass™: lemon and grass™ combines nature, science, and tech to formulate and deliver consistent, high quality products, including transdermal patches, tinctures, body oils, bath salts, balms and capsules.

dompen™: dompen™ is one of California's top vaporizer brands, best known for its affordable all in one vaporizers in disposable format, and dom cartridges, which offer a range of popular strains that patients in other states have trusted for years.

Honey®: Honey® was the first producer in the world to market distilled cannabis oil in vape cartridges. Today, they provide authentic, full spectrum oil in vape cartridges, applicators, and caps to legal dispensaries and delivery services.

Seed Junky™: Seed Junky™ Genetics is an innovating leader in cannabis cultivation and genetics, with a strong assortment of award-winning cannabis strains excelling in the smokable flower category.

The Venice Cookie Co.™: VCC Brands, also known as The Venice Cookie Co.™, is a leading manufacturer and distributor of CBD and cannabis infused beverage and edible products.

Big Pete's®: Big Pete's is one of the leading and most trusted brands in edible Cannabis in California. With award winning products, they plan to grow into Medical Marijuana markets nationwide.

Liberty continues to evolve its branding strategies, the creation and development of house brands and the use of third-party brands to produce diverse product lines that meet patients' needs and interests.

In its continued efforts to protect the public, the U.S. Food and Drug Administration (FDA) is strengthening its warning to consumers to stop using vaping products containing THC, amid more than 1,000 reports of lung injuries following the use of vaping products. The FDA is working closely with the U.S. Centers for Disease Control and Prevention (CDC), as well as state and local public health partners to investigate these illnesses as quickly as possible.

Certain of these offerings may be subject to approval by state authorities. The Company continues to round out its product line, offering THC and CBD products in several consumable formats.

Other Updates

Senior secured convertible debentures extension offer

The Company announced on October 26, 2020 that it was offering all holders of its senior secured convertible debentures a 12-month extension to the original November 22, 2020 maturity date together with certain other amendments to the conversion price, interest rate, and redemption price. The extension was subject to the receipt of all applicable regulatory and stock exchange approvals.

Under the new terms, the notes are convertible into common shares of the Company at $0.85 per share, and the interest rate under the extension terms is 13% per annum.

At the time of the announcement, there was an aggregate principal amount of US $6 million outstanding. Investors holding an aggregate amount of US$3,075,000 accepted the extension offer and certain investors agreed to subscribe approximately US$1,250,000 of convertible notes payable under the extension option.

Debenture holders who did not select the option to extend or that made no selection by the applicable deadline of November 10, 2020 had their debentures repaid at the original maturity date of November 22, 2020 in accordance with their terms. Investors of US$2,925,000 aggregate principal amount were repaid at maturity plus accrued interest.

As at November 30, 2020, the value of the convertible notes payable was $5,483,564 ($5,788,319 as at February 29, 2020).

As at November 30, 2020, the fair value of the embedded derivative was $346,676 compared to $66,545 fair value of the former embedded derivative as at February 29, 2020.

For the three and nine months ended November 30, 2020, the fair value of the embedded derivative increased by $346,525 and $280,131, respectively. This compares to an increase (decrease) in the fair value of the embedded derivative of $241,996 and ($2,174,955), respectively, for the three and nine months ended November, 30 2019.

The fair value of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions for November 30, 2020: stock price of $0.50; expected life of 0.98 years; $nil dividends; 68% volatility; risk-free interest rate of 0.60%; foreign exchange rate of 0.7713; and the exercise price of $0.85.

The fair value of the embedded derivative was also determined using the Black Scholes valuation model using the following assumptions for February 29, 2020: stock price of $0.54; expected life of 0.73 years; $nil dividends; 93% volatility; risk-free interest rate of 1.22%; foreign exchange rate of 0.7447; and the exercise price of $2.00.

Management changes

The Company reported on October 28th that Victor Mancebo announced his resignation from the Board of Directors and his role as Chief Executive Officer to be effective as of December 31, 2020. George J.

Gremse, a member of the Board of Directors, was appointed as Interim CEO during the process of identifying a permanent CEO. Mr. Mancebo and Mr. Gremse worked together to ensure a smooth transition.

Subsequent to the end of the reporting period, the Company announced on December 9, 2020 the hiring of Darrin Potter as Vice President of Operations.

Strategic Acquisition by Ayr Strategies

Subsequent to the end of the quarter, on December 22, 2020, the Company and Ayr Strategies announced that they had entered into a definitive arrangement agreement pursuant to which Ayr will acquire all of the issued and outstanding shares of the Company in an all-share transaction.

Under the terms of the arrangement agreement, shareholders of Liberty will receive 0.03683 of a subordinate voting share or restricted voting share for each Liberty Share held (the "Exchange Ratio"), subject to adjustment described below. The Exchange Ratio implied a price of approximately $1.05 per share of the Company, representing a premium of approximately 94%, based on the closing price of the Company shares and Ayr shares on the CSE as of December 21, 2020.

The shareholders of the Company are expected to hold approximately 20% ownership in the pro forma entity on a fully-diluted in-the-money basis, based on the closing price of the Company shares and Ayr Strategies shares on the Canadian Securities Exchange ("CSE") as of December 21, 2020, and an exchange ratio of 0.03683. The estimated pro forma ownership is inclusive of shares to be issued relating to previously disclosed Ayr acquisitions in Pennsylvania and Arizona, and the recently announced acquisition in New Jersey, and is calculated on a fully-diluted in-the-money basis using the treasury stock method.

Upon the completion of these acquisitions by Ayr Strategies, the combined company will be positioned as a top-tier U.S. multi-state operator, bolstering a geographical footprint with operations in attractive limited license and highly populated states that include Nevada, Massachusetts, Florida, Pennsylvania, Arizona, Ohio and New Jersey.

Agreement to settle Class Action Lawsuit

The Company reported on November 19th that it had signed a memorandum of understanding regarding the settlement of the securities class action that was commenced against it in the United States. The Company has agreed that US$1.8 million will be paid to settle all claims. The settlement is made without any admission or finding of liability and is subject to court approval. There is no assurance that the settlement agreement will receive court approval.

Sale of Chestnut Farm & Ohio Joint Venture Interest

On August 13, 2019, the Company entered into a definitive asset purchase and sale agreement to sell its Chestnut Hill Tree Farm ("CHT") facility in Florida and certain joint venture interest and dispensary licenses in Ohio for cash consideration totaling USD$14,750,000 (CAD$19,523,100) (the "Disposition"), of which USD$14,650,000 (CAD$19,390,740) corresponded to the CHT facility and USD$100,000 (CAD$132,360) to the Investment in Ohio JV. Pursuant to the Disposition, the Company recognized a gain on sale of the CHT facility of $14,266,807.

The following summarizes the gain on the sale of CHT:

		Amount
Property, plant and equipment	$	5,536,871
Accumulated depreciation		(653,541)
Total assets, net		4,883,330
Proceeds on disposition, gross		19,390,740
Transaction costs		(240,603)
Proceeds on disposition, net		19,150,137
Net gain on sale	**$**	**14,266,807**

In August 2019, the Company entered into Membership Interest Redemption agreements with the Schottenstein Group and dissolved, 50.1% of Schottenstein Aphria I, LLC, 50% of Schottenstein Aphria II, LLC, and 50% of Schottenstein Aphria III, LLC. The Company received proceeds of $132,360 and was released of all outstanding balances to/from the Ohio JV.

The total loss on investment in Ohio JV for the year ended February 29, 2020 was $166,916.

The following summarizes the (loss) on the redemption of Ohio JV:

		Amount
Balance as at February 28, 2019	$	240,193
Contributions		142,427
Share of loss		(166,916)
Proceeds from redemption of JV		(132,360)
Release of outstanding to/from JV		(90,450)
Effect of foreign exchange		7,106
Balance as at February 29, 2020 and November 30, 2020	**$**	**-**

SELECTED OPERATIONAL AND FINANCIAL RESULTS

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Operating performance				
Wet grams harvested	12,646,268	20,078,230	46,515,340	39,289,844
Dried grams produced	2,095,240	3,212,517	8,446,157	6,904,492
Equivalent grams sold	1,225,128	1,269,166	4,547,676	2,599,438
Average realized price per dried flower gram sold	$ 9.29	$ 11.26	$ 10.63	$ 11.68
Active registered patients in period	39,409	36,097	72,404	48,828
Number of SKUs	326	144	393	152
Average transaction size ($)	$ 106	$ 117	$ 120	$ 120
Number of dispensaries open	27	19	27	19
Number of hubs open	8	6	8	6
Financial performance				
Revenue	$ 13,048,315	$ 16,122,254	$ 49,660,046	$ 32,270,471
Gross profit before fair value adjustments	7,557,681	9,799,162	29,256,211	17,016,589
Gross margin after fair value adjustments	12,368,154	30,775,028	51,233,293	50,474,325
Net Income (loss) before tax	1,818,705	21,200,401	22,956,570	40,881,325
Comprehensive income (loss)	(3,331,562)	6,976,955	1,661,816	27,722,864
Earnings (loss) per share	(0.01)	0.02	0.03	0.08
Adjusted EBITDA (defined below)	2,547,406	4,420,409	13,814,989	2,688,161
Cash and term deposits	11,251,402	28,539,868	11,251,402	28,539,868
Capital assets	82,380,986	71,344,107	82,380,986	71,344,107
Total assets	202,494,380	197,155,383	202,494,380	197,155,383
Total non-financial liabilities	11,213,910	15,733,405	11,213,910	15,733,405
Shareholders' equity	142,073,542	141,250,222	142,073,542	141,250,222

The Company harvested 12,646,268 and 46,515,340 wet grams during the three and nine months ended November 30, 2020, compared to 20,078,230 and 39,289,844 wet grams harvested in the three and nine months ended November 30, 2019, respectively.

The Company produced 2,095,240 and 8,446,157 dried grams during the three and nine months ended November 30, 2020, compared to 3,212,517 and 6,904,492 dried grams produced during the three and nine months ended November 30, 2019.

The Company sold 1,225,128 and 4,547,676 equivalent grams during the three and nine months ended November 30, 2020, compared to 1,269,166 and 2,599,438 equivalent grams sold in the three and nine months ended November 30, 2019. The mix of grams sold during the current third quarter included fewer whole flower products.

The Company had an average realized price per gram on sales of dried flower of $9.29 and $10.63 during the three and nine months ended November 30, 2020, down from average realized price per gram on sales of dried flower of $9.95 and $11.02 during the three and six months ended August 31, 2020. The lower price for the current third quarter resulted from fewer flower products, particularly, whole flower sales.

Registered patients that were active during the three months ended November 30, 2020 totaled 39,409, compared to 36,097 registered patients active during the three months ended November 30, 2019.

The Company had 27 dispensaries open as at November 30, 2020, compared to 26 dispensaries as at August 31, 2020. As a comparison, as at November 30, 2019, the Company had opened 19 dispensaries, and it had additional lease contracts in place for ten more dispensaries.

Subsequent to the end of the reporting period ended November 30, 2020, the Company opened its 28th dispensary in Lake City in December 2020, and its 29th dispensary in Ft. Myers in January 2021. The

Company has plans to open an additional two dispensaries before February 28, 2021, provided that all permits and authorizations are in place by the end of fiscal year 2021.

As at the date of publication of this MD&A, the Company has signed an additional eleven lease contracts for new dispensaries.

RESULTS OF OPERATIONS

Revenue

Revenue was $13,048,315 and $49,660,046 for the three and nine months ended November 30, 2020, respectively. These amounts compare with revenue of $16,122,254 and $32,270,471 for the three and nine months ended November 30, 2019, respectively.

The significant increase in revenue in the nine-month period compared to the same period last year was driven by the Company's increase of dispensaries locations, the increase in its product count, the increase in smokable flower sales, the increase in production and equivalent grams sold, and the increase in the registered patient base on the Medical Marijuana Use Registry in Florida.

The Company recognizes revenue from dispensary customers and delivery customers. The following table represents the Company's revenue disaggregated by source for the three and nine months ended November 30, 2020 and November 30, 2019:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Dispensary	$ 12,416,807	$ 15,875,270	$ 47,316,525	$ 30,674,013
Delivery	631,508	246,984	2,343,521	1,596,458
Total revenue	**$ 13,048,315**	**$ 16,122,254**	**$ 49,660,046**	**$ 32,270,471**

Loyalty rewards of ($151,643) and $126,337 are included as adjustments to revenue, net of discounts for the three-month and nine-month periods ended November 30, 2020, respectively.

The reduction in the balance of loyalty rewards compared to the balance as at August 31, 2020 is driven by loyalty reward expirations per the loyalty plan rules. Included in accounts payable and accrued liabilities is a provision related to outstanding loyalty rewards of $996,425 as at November 30, 2020, compared to $924,446 as at February 29, 2020.

Gross profit and gross margin

The gross profit for the Company is outlined below for the following periods:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	NIne months ended November 30, 2019
Revenue, net of discounts	$ 13,048,315	$ 16,122,254	$ 49,660,046	$ 32,270,471
Costs of sales				
Cost of goods sold, net	5,490,634	6,323,092	20,403,835	15,253,882
Realized fair value amounts included in cost of goods	(3,221,928)	(5,610,230)	(22,891,267)	996,345
Unrealized fair value (gain) loss on growth of biological assets	(1,588,545)	(15,365,636)	914,185	(34,454,081)
Total Cost of Sales	**680,161**	**(14,652,774)**	**(1,573,247)**	**(18,203,854)**
Gross profit	**$ 12,368,154**	**$ 30,775,028**	**$ 51,233,293**	**$ 50,474,325**

For the three months ended November 30, 2020 gross profit totaled $12,368,154. This compares to gross profit of $30,775,028 for the three months ended November 30, 2019. Included in gross profit for the three months ended November 30, 2020 are unrealized (gains) losses from fair value changes on the growth of biological assets of ($1,558,545), and realized fair value (gains) losses included in costs of inventory sold of ($3,221,928), amounts that are non-cash fair value adjustments made following IFRS.

For the nine months ended November 30, 2020, gross profit was $51,233,293. This amount compares with gross profit after biological asset adjustments of $50,474,325 for the nine months ended November 30, 2019. Included in gross profit for the nine months ended November 30, 2020 are unrealized (gains) losses from fair value changes on the growth of biological assets of $914,185, offset by realized fair value (gains) losses included in costs of inventory sold of ($22,891,267), amounts that are non-cash fair value adjustments made following IFRS.

The increase in gross profit compared to the same nine-month period last year reflects an increase in revenue that was partially offset by the year over year changes in cost of goods sold and in realized and unrealized fair value adjustments.

Higher revenue in the nine-month period ended November 30, 2020 was driven by a higher number of customers, a larger product selection, and additional dispensaries to assist in distribution.

The increase in revenue and associated increase in COGS was offset by a lower contribution to gross profit from changes in fair value adjustments compared to the same nine-month period last year. Liberty's cost of goods sold increased compared to the same nine-month period last year, reflecting higher depreciation from a new greenhouse infrastructure, higher raw material costs, and higher direct labor costs in respect of cultivation and processing and associated overheads.

Cost of sales consists of three main categories: (i) cost of goods sold, net; (ii) realized fair value amounts included in cost of goods sold; (iii) unrealized fair value adjustment on growth of biological assets.

(i) Cost of goods sold, net include the direct cost of materials and labor related to the medical cannabis sold. This includes the costs of any purchased medical cannabis in the event of an acquisition of an existing license, growing, cultivation and harvesting costs, quality assurance and quality control, cannabis oil processing costs, packaging, labeling, and maintenance and repairs of production equipment and greenhouse infrastructure utilized in the production of medical cannabis. Cost of goods sold, net also includes depreciation that relates to production equipment and greenhouse infrastructure utilized in the production of medical cannabis, and certain overhead costs related to the Company's production operations, the allocation of which requires management estimates.

(ii) Realized fair value amounts included in cost of goods sold are the amount of fair value adjustments of biological assets that have been included in inventory and sold during the year.

(iii) Unrealized fair value adjustment of biological assets is part of the Company's cost of sales under IFRS reporting standard IAS41: *Agriculture* relating to agriculture and biological assets (ie. living plants). This line item represents the effect of the non-cash fair value adjustment of biological assets (medical cannabis) produced in the period.

Management believes that the use of non-cash IFRS adjustments in calculating gross profit and gross margin does not represent the true underlying economics of the business due to the large value of non-cash fair value adjustments required. Accordingly, management believes the use of gross profit before biological asset adjustments and gross margin before biological asset adjustments provides better representation of performance by excluding non-cash adjustments required by IFRS.

Gross profit before biological asset adjustments and gross margin before biological asset adjustments are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

The table below shows the adjustments from gross profit before fair value adjustments:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Revenue, net of discounts	$ 13,048,315	$ 16,122,254	$ 49,660,046	$ 32,270,471
Cost of goods sold, net	5,490,634	6,323,092	20,403,835	15,253,882
Gross profit before fair value adjustments	**$ 7,557,681**	**$ 9,799,162**	**$ 29,256,211**	**$ 17,016,589**
Gross margin before fair value adjustments	57.9%	60.8%	58.9%	52.7%
Add back:				
Realized fair value adjustments included in cost of goods sold	3,221,928	5,610,230	22,891,267	(996,345)
Unrealized fair value gain on growth of biological assets	1,588,545	15,365,636	(914,185)	34,454,081
Subtotal fair value adjustments	**$ 4,810,473**	**$ 20,975,866**	**$ 21,977,082**	**$ 33,457,736**
Gross Profit	**$ 12,368,154**	**$ 30,775,028**	**$ 51,233,293**	**$ 50,474,325**

For the nine months ended November 30, 2020, the increase in gross profit before biological asset adjustments reflects an increase in revenue from a higher number of customers, larger production, a larger product selection and additional dispensaries to assist in distribution.

Liberty's cost of goods sold for the nine months ended November 30, 2020 has also increased when compared to the nine months ended November 30, 2019, as a result of higher sales and the higher raw materials thereof, higher depreciation included in costs of goods sold from a new greenhouse infrastructure, and higher direct labor costs in respect of cultivation and processing.

The increase in gross profit compared to the same nine-month period last year reflects a decrease in the amount of the gain (loss) from realized and unrealized fair value adjustments from $33,457,736 in the nine months ended November 30, 2019 to $21,977,082 in the nine months ended November 30, 2020.

Operating expenses

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Operating expenses				
Professional fees	$ 752,113	$ 1,240,673	$ 2,432,085	$ 3,329,495
Employee and staff costs	694,586	853,783	2,169,056	2,877,601
Office and general	1,063,306	1,007,242	3,050,721	2,916,161
Consulting fees	79,234	138,304	162,278	356,590
Travel and entertainment	25,665	55,105	103,012	188,815
Advertising and marketing	182,760	176,086	461,638	618,311
Insurance	415,032	331,608	1,277,165	940,267
Selling costs	2,356,939	1,752,964	7,008,935	4,612,301
Facilities expenses and leases	108,464	399,902	673,057	849,694
Royalty	249,584	515,735	1,357,122	397,311
Depreciation	1,243,774	666,916	3,187,165	2,095,209
Amortization	33,591	50,351	100,054	333,460
Share-based compensation	168,878	260,307	776,126	867,476
Total operating expenses	**$ 7,373,926**	**$ 7,448,976**	**$ 22,758,414**	**$ 20,382,691**

Operating expenses for the nine months ended November 30, 2020 increased to $22,758,414, compared with $20,382,691 for the nine months ended November 30, 2019.

The primary drivers of the year over year increase in operating costs were i) selling costs driven by retail and delivery costs; ii) depreciation driven by additional dispensaries and leasehold improvements; iii) royalty expense, driven by increased sales of licensed products by the Company; iv) insurance expense; and v) office and general expenses.

Partially offsetting the increase in operating expenses from the above mentioned drivers, compared to the same period last year the Company had lower employee and staff costs relating to executive and administrative personnel, lower professional services and consulting fees, lower advertising and marketing expense, lower amortization expense, lower travel and entertainment expense, lower share based compensation, and lower facilities maintenance and repairs.

Non-operating income (expense)

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Non-operating income (expense)				
Other income (expense)	$ (1,282,611)	$ 128,426	$ (1,110,496)	$ 179,379
Gain from sale of Chestnut Hill Tree Farm	-	165,185	-	14,266,807
Change in fair value of investments	-	(22,160)	-	(210,724)
Interest expense	(1,138,490)	(1,282,171)	(3,331,897)	(3,154,758)
Loss on redemption of joint venture	-	-	-	(166,916)
Investor relations and filing fees	(19,840)	-	-	(230,669)
Interest accretion	(770,678)	(628,515)	(2,283,346)	(1,836,203)
Change fair value embedded derivative	(346,525)	(266,156)	(280,131)	2,178,482
Foreign exchange gain (loss)	382,621	(220,260)	1,487,561	(235,707)
Total non-operating income (expense)	**$ (3,175,523)**	**$ (2,125,651)**	**$ (5,518,309)**	**$ 10,789,691**

The Company's non-operating income (expense) for the nine months ended November 30, 2020 was ($5,518,309), compared with non-operating income of $10,789,691 for the nine months ended November 30, 2019.

During the nine months ended November 30, 2019, the Company realized a gain of $14,266,807 from the sale of the Chestnut Tree Farm.

For the nine months ended November 30, 2020, the Company had a ($280,131) non-cash loss in the fair value of the embedded derivative associated with its convertible debt. This compares to a $2,178,482 non-cash gain in the fair value of the embedded derivative associated with its convertible debt during the same period last year, which was driven by changes in the Company's share price, lower time to maturity and changes in the discount rate.

Also, for the nine months ended November 30, 2020, the Company recorded a foreign exchange gain (loss) of $1,487,561, compared to a foreign exchange gain (loss) of ($235,707) for the nine months ended November 30, 2019.

Finally, another factor contributing to the positive non-operating income in the nine months ended November 30, 2019 include other income partially driven by sale of lumber.

In addition to the above-mentioned drivers of non-operating income (expense), during the nine months ended November 30, 2019, the Company had a loss on the redemption of the Joint Venture.

Partially offsetting these positive non-operating income drivers in the nine months ended November 2020, compared to the same period last year, the Company had i) higher accretion interest; ii) higher interest expense, and iii) higher other income (expense).

For the three and nine months ended November 30, 2020, the Company incurred interest expense related to its convertible note of $232,485, and $725,991. This compares to interest expense incurred by the Company related to its convertible note of $466,716, and $1,425,108 for the three and for the nine months ended November 30, 2019.

The Company recorded accretion interest of $770,678, and foreign exchange loss related to the Notes of ($152,576) for the three months ended November 30, 2020. As a comparison, the Company recorded accretion interest of $628,515 and foreign exchange loss of ($9,364) for the three months ended November 30, 2019.

For the nine months ended November 30, 2020, the Company recorded accretion interest of $2,283,346, and a foreign exchange gain related to the Notes of $85,881. As a comparison, the Company recorded accretion interest of $1,836,203 and foreign exchange loss of ($114,350) for the nine months ended November 30, 2019.

Lastly, other income (expense) of ($1,110,496) for the nine months ended November 30, 2020 compares to other income (expense) of $179,379 for the nine months ended November 30, 2019. The higher other (expense) compared to the same period last year is explained by settlement costs relating to the class action lawsuit that the Company was a party to, and provisions made related to the settlement of legal disputes in relation to the Company's leases. The positive income during the same period last year was partially explained by income associated with the sale of timber.

Net Income (loss) and Other Comprehensive Income (loss)

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Net Income before Tax	$ 1,818,705	$ 21,200,401	$ 22,956,570	$ 40,881,325
Current Income tax	2,861,786	14,308,688	12,365,379	14,308,688
Deferred Tax	1,066,879	-	1,485,194	-
Net Income (loss)	**$ (2,109,960)**	**$ 6,891,713**	**$ 9,105,997**	**$ 26,572,637**
Other comprehensive income				
Foreign currency translation gain (loss)	(1,221,602)	85,242	(7,444,181)	1,150,227
Comprehensive income (loss)	**$ (3,331,562)**	**$ 6,976,955**	**$ 1,661,816**	**$ 27,722,864**

The Company recorded net income (loss) for the three months ended November 30, 2020 of ($2,109,960), which includes an unrealized gain (loss) from fair value changes on the growth of biological assets recorded under IFRS of $1,558,545 and a realized gain (loss) from realized fair value amounts included in the cost of inventory sold of $3,221,928. These results compare to net income (loss) for the three months ended November 30, 2019 of $6,891,713.

For the nine months ended November 30, 2020, the Company recorded net income (loss) of $9,105,997, which includes a loss of $914,185 from the change in unrealized fair value adjustments in the growth of biological assets that is recorded under IFRS, and a gain from realized fair value adjustments included in the cost of goods sold of $22,891,267. These results compare to net income of $26,572,637 for the nine months ended November 30, 2019.

The year-over-year change in the Company's net income was partially driven by the Company's gain on the sale of the Chestnut Hill Tree Farm in 2019.

Other factors include i) the Company's year-over-year increase in revenue compared to the same period last year resulting from a higher number of dispensaries and delivery locations being opened a full nine months compared to last year, the increase in product count, and the increase in the registered patient base on the Medical Marijuana Use Registry in Florida; ii) year over year changes in fair value adjustments on the growth of biological assets partially offset by adjustments to the realized fair value amounts included in the cost of inventory sold; iii) higher cost of goods sold, higher selling costs, higher royalty costs, higher interest expense, and higher depreciation expense.

Other comprehensive income is a result of the Company's wholly owned subsidiary Liberty Health Sciences, LLC using the United States dollar as its functional currency, and the changes in the US dollar to Canadian dollar exchange rate during the period.

The Company recorded other comprehensive income (loss) for the three months ended November 30, 2020 of ($1,221,602), compared with $85,242 for the three months ended November 30, 2019.

For the nine months ended November 30, 2020, the Company recorded other comprehensive income (loss) of ($7,444,181), compared with other comprehensive income (loss) of $1,150,227 for the nine months ended November 30, 2019.

The closing foreign exchange rates (United States dollar stated in Canadian dollars) for the relevant presentation dates were as follows: November 30, 2020 – 1.2965, August 31, 2020 – 1.3042, May 31, 2020 – 1.3787, February 29, 2020 – 1.3429, November 30, 2019 – 1.3289, August 31, 2019 – 1.3295.

Earnings (loss) per share

Basic and diluted earnings (loss) per share attributable to Liberty Health Sciences, Inc. was calculated as follows:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Numerator:				
Net income attributable to shareholders	$ (2,109,960)	$ 6,891,713	$ 9,105,997	$ 26,572,637
Denominator:				
Weighted avg. common shares outstanding - Basic	346,090,635	345,290,635	346,090,635	345,290,635
Weighted avg. common shares outstanding - Diluted	346,090,635	345,290,635	346,875,079	345,290,635
Earnings per share – Basic	$ (0.01)	$ 0.02	$ 0.03	$ 0.08
Earnings per share – Diluted	$ (0.01)	$ 0.02	$ 0.03	$ 0.08

As the Company was in a loss position for the three months ended November 30, 2020, the inclusion of shares from the exercise of options and warrants, and from conversion of convertible note in the calculation of diluted earnings per share would have been anti-dilutive, and accordingly, these shares were excluded in the diluted loss per share calculation for the three months ended November 30, 2020.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

The Company management uses this non-IFRS financial measure to understand and compare operating results across periods. Management also believes that this non-IFRS financial measure enhances an investor's understanding of the Company's financial and operating performance from period to period. However, as there is no standard method to calculate Adjusted EBITDA, the Company's method of calculating Adjusted EBITDA may differ from that of other companies, and hence, the use of this and other non-IFRS measures may not be directly comparable to similarly titled financial measures used by other companies.

The Company calculates Adjusted EBITDA as net income (loss) adjusted for: unrealized gains resulting from fair value changes on growth of biological assets, realized fair value amounts included in the cost of inventory sold, income taxes, foreign exchange, interest expense, interest accretion, change in fair value of embedded derivative, share-based compensation, depreciation and amortization, and certain one-time items as determined by management. Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. The Adjusted EBITDA for the three months and nine months ended includes a one-time settlement costs add-back of $1,034,776 related to the class action lawsuit.

The table below shows the calculation of Adjusted EBITDA for the three and nine months ended November 30, 2020 and compares it to Adjusted EBITDA for the three and nine months ended November 30, 2019:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Net Income (loss)	**$ (2,109,960)**	**$ 6,891,713**	**$ 9,105,997**	**$ 26,572,637**
Adjustments				
Income tax	3,928,665	14,308,688	13,850,573	14,308,688
Foreign exchange loss (gain)	(382,621)	220,260	(1,487,561)	235,707
Change in fair value of embedded derivative	346,525	266,156	280,131	(2,178,482)
Interest accretion	770,678	628,515	2,283,346	1,836,203
Share-based compensation	168,878	260,307	776,126	867,476
Depreciation included in G&A	1,243,774	666,916	3,187,165	2,095,209
Depreciation included in COGS and inventory	1,185,083	986,383	3,329,567	3,020,132
Amortization	33,591	50,351	100,054	333,460
Interest expense	1,138,490	1,282,171	3,331,897	3,154,758
Gain from the sale of Chestnut Hill Tree Farm	-	(165,185)	-	(14,266,807)
Loss on redemption of joint venture	-	-	-	166,916
Fair value adjustments in cost of goods sold	(3,221,928)	(5,610,230)	(22,891,267)	996,345
Change in fair value of biological assets	(1,588,545)	(15,365,636)	914,185	(34,454,081)
One time settlement costs	1,034,776	-	1,034,776	-
Adjusted EBITDA	**$ 2,547,406**	**$ 4,420,409**	**$ 13,814,989**	**$ 2,688,161**

SELECTED QUARTERLY RESULTS

The following table sets out certain financial information for the past eight fiscal quarters:

Selected Quarterly Results		Three months ended November 30, 2020		Three months ended August 31, 2020		Three months ended May 31, 2020		Three months ended February 29, 2020
Revenue	$	13,048,315	$	18,170,975	$	18,440,756	$	17,805,108
Net Income (loss)	$	(2,109,960)	$	6,958,595	$	4,217,682	$	(4,306,958)
Comprehensive Income (loss)	$	(3,331,562)	$	(3,829,032)	$	8,782,730	$	(2,345,749)
Net Income (loss) per share – basic and diluted	$	(0.01)	$	0.02	$	0.01	$	(0.01)
Selected Quarterly Results		**Three months ended November 30, 2019**		**Three months ended August 31, 2019 (Restated)**		**Three months ended May 31, 2019**		**Three months ended February 28, 2019**
Revenue	$	16,122,254	$	10,627,656	$	5,520,561	$	3,470,033
Net Income (loss)	$	6,891,713	$	23,049,326	$	(3,202,696)	$	(2,768,313)
Comprehensive Income (loss)	$	6,976,955	$	20,943,073	$	(31,459)	$	(6,080,721)
Net Income (loss) per share – basic and diluted	$	0.02	$	0.07	$	(0.01)	$	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company monitors its capital structure and manages its cash flows to assess the liquidity necessary to fund its operations and activities. As at November 30, 2020, Liberty maintained $11,251,402 of cash and cash equivalents on hand, compared to $24,957,245 in cash and cash equivalents as at February 29, 2020.

For the nine months ended November 30, 2020, cash provided (used) by operational activities was $5,711,594, which compares to cash provided (used) by operational activities of $5,360,301 for the nine months ended November 30, 2019.

For the nine months ended November 30, 2020, cash provided (used) by investing activities was ($12,822,846), which compares to cash provided (used) by investing activities of $12,663,908 for the nine months ended November 30, 2019.

Key factors driving cash used by investing activities during the nine months ended November 30, 2020 included capital expenditures required for the buildouts of 8 dispensaries that will have been opened in fiscal year 2021 and 5 pending to open in early fiscal year 2022 and sophisticated equipment needed for the ethanol extraction and processing infrastructure, the edibles infrastructure, installing new roof panels, grow lights and HVAC systems in portions of the grow compartments, and the building 5 new hoop houses The increase in cash provided by investing activities in the nine months ended November 30, 2019 was primarily driven by the sale of the Chestnut Hill Tree Farm facility, partially offset by capital expenditures required for new dispensary buildouts and production equipment.

For the nine months ended November 30, 2020, cash provided (used) by financing activities was ($5,503,543), which compares to cash provided (used) by financing activities during the nine months ended November 30, 2019 of ($3,154,758). The year over year variance is driven by the Company's convertible debt paydown, and by higher interest expense associated with lease liabilities, partially offset by lower interest payments associated with the Company's convertible debt during the nine months ended November 30, 2020, compared to those in the nine months ended November 30, 2019.

The Company had senior secured convertible debt outstanding with a face value of USD6,000,000

($7,825,200) that matured on November 22, 2020. On October 26, 2020, the Company announced an offer to extend the maturity of its senior secured convertible debt to all of its noteholders (see other updates). Investors holding an aggregate amount of US$3,075,000 accepted the extension offer and certain investors agreed to subscribe approximately US$1,250,000 of convertible notes payable under the extension option. Following the extension offer, the Company had convertible notes payable with a face value of USD 4,325,000 that are due to mature on November 22, 2021. As of November 30th, 2020, the Company has senior secured convertible debt of CAD 5,483,564.

For the nine months ended November 30, 2020, the Company reduced the balance on its convertible debt by $2,171,638.

Working capital is a common measure of a Company's short-term financial health and its ability to meet its upcoming operational and capital requirements. As November 30, 2020, the Company maintained working capital of $46,826,928, compared to working capital of $44,522,683 as at February 29, 2020.

Although the Company anticipates that it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, the Company may be required to take additional measures to increase its liquidity and capital resources, including obtaining additional equity or debt financing. In the event that the Company experiences negative operating cashflows in the future, and its operating cashflows are not sufficient to meet its capital plan and operating plans, the Company anticipates it will explore new sources of funding to supplement its capital needs.

As at November 30, 2020, the Company has incurred in gross lease commitments of $58,440,213. The undiscounted gross lease commitments, including options to renew the leases, are broken down by year as follows:

For the period ended November 30, 2020		Amount
2021 (remaining 3 months)	$	1,291,838
2022		5,279,221
2023		5,405,994
2024		5,221,033
2025		5,256,276
Thereafter		35,985,851
Total minimum lease payments	**$**	**58,440,213**

These gross lease commitments of $58,440,213 as at November 30, 2020, when discounted using an average incremental borrowing rate ranging from 15% to 15.4%, resulted in the recognition of a lease liability of $28,355,196 in the Condensed Interim Consolidated Statements of Financial Position as at November 30, 2020.

This compares to gross lease commitments of $48,031,916 as at February 29, 2020, which, when discounted using an average incremental borrowing rate ranging from 15% to 15.4%, resulted in the recognition of a lease liability of $21,362,349 in the Consolidated Statements of Financial Position as at February 29, 2020.

SHARE CAPITAL

Liberty has the following securities issued and outstanding as at November 30, 2020:

	Presently outstanding	Exercisable	Exercisable & in-the-money*	Fully diluted
Common shares	346,090,635	n/a	n/a	346,090,635
Warrants	9,407,661	9,407,661	-	9,407,661
Stock options	5,390,862	2,724,164	1,476,667	5,390,862
Diluted shares as at November 30, 2020	**360,889,158**	**12,131,825**	**1,476,667**	**360,889,158**

In addition to the diluted shares presently outstanding per the above table, the Company issued a convertible notes series with a face value of US$1,250,000 due on November 22, 2021. These convertible notes with a face value of US$1,250,000 are convertible into common shares of the Company at $0.85 per share, being a rate of approximately 1,545.6 common shares that shall be issued for each US$1,000 principal amount of November 2020 debentures so converted. The conversion to US$ will be based on the closing spot rate published by the Bank of Canada on the last Business Day prior to the date of the Indenture. The US$: C$ exchange rate to be used in calculating the number of Common Shares to be issued for each US$1,000 principal amount of 2020 Debentures so converted will be the Bank of Canada closing spot rate on the Date of Conversion.

As the Company was in a loss position for the three months ended November 30, 2020, the inclusion of shares from the exercise of options and warrants, and from conversion of convertible note in the calculation of diluted earnings per share would have been anti-dilutive, and accordingly, these shares were excluded in the diluted loss per share calculation for the three months ended November 30, 2020.

RELATED PARTY BALANCES AND TRANSACTIONS

Key management personnel are those persons that have the authority and responsibility for planning, directing, and controlling the activities of the Company directly and indirectly. Key management personnel include the Company's directors and certain members of the senior management group.

The related parties include entities related to a Board Advisor and a significant shareholder and members of their immediate families. The Board reviewed the applicable contracts and confirmed that in all material respects, these contracts are reasonable and contain market terms and no minimum quantity requirements. The Board is monitoring the development of the Company's house brands and the use of third-party brands, and the Company's financial exposure to these related counterparties on an ongoing basis.

For the three months ended November 30, 2020, the Company paid $1,335,031 to key management personnel and related parties. This compares to $445,682 paid to related parties in the three months ended November 30, 2019. The amounts paid to related parties in the three months ended November 30, 2020, and November 30, 2019 are broken down as follows:

	Three months ended November 30, 2020	Three months ended November 30, 2019
Employee and staff costs	$ 146,240	$ 128,682
Share-based compensation	141,357	138,841
Consulting fees	42,879	28,109
Interest on convertible note	-	101,150
Purchases of hardware supplies	796,782	32,000
Royalties	207,772	16,900
Total	**$ 1,335,031**	**$ 445,682**

For the nine months ended November 30, 2020, and November 30, 2019, the Company paid $3,956,061 and $1,725,091 to key management personnel and related parties, respectively.

	Nine months ended November 30, 2020	Nine months ended November 30, 2019
Employee and staff costs	$ 481,155	$ 452,643
Share-based compensation	630,959	797,431
Consulting fees	130,638	114,271
Interest on convertible note	-	305,390
Purchases of Hardware supplies	2,080,337	32,000
Royalties	632,971	23,357
Total	**$ 3,956,061**	**$ 1,725,091**

Employee and staff costs, share-based compensation and consulting fees include payments made in respect of employment agreements of directors and officers of the Company.

Share-based compensation expense includes the impact of the accelerated vesting of stock options for certain directors and officers.

Consulting fees include $40,117 (1.34 CAD/USD) incurred with a shareholder who exercises significant influence over the Company during the nine months ended November 30, 2020. As a comparison, the company incurred consulting expenses with the same shareholder of $39,844 (1.33 CAD/USD) during the nine months ended November 30, 2019.

Interest on convertible debt include interest payments related to the outstanding convertible debt made to directors and officers of the Company, or their family members, as noteholders.

During the nine months ended November 30, 2020, the Company purchased certain brand specific hardware supplies totaling $2,080,337 from related parties.

Royalties relate to products sold by the Company under brands which trademarks are held by companies directly or indirectly majority owned by significant shareholders of the Company and their family members.

During the nine months ended November 30, 2020, the Company incurred royalty expense of $632,971 for the uses of the associated intellectual property, formulas, and SOPs from related parties.

SUBSEQUENT EVENTS

Subsequent to the end of the quarter, on December 22, 2020, the Company and Ayr Strategies announced that they had entered into a definitive arrangement agreement pursuant to which Ayr will acquire all of the issued and outstanding shares of the Company in an all-share transaction. Please refer to the Other

Updates section for details.

The Company announced on December 9, 2020 the hiring of Darrin Potter as Vice President of Operations. Potter will be responsible for driving the organization's growth and he will manage the expansion of the Company's 360 production facility in Gainesville. Potter is an award-winning cannabis production executive with over 12 years of experience in the medical and recreational cannabis markets.

As previously reported by the Company on October 28th, Victor Mancebo announced his resignation from the Board of Directors and his role as Chief Executive Officer to be effective as of December 31, 2020. George J. Gremse, a member of the Board of Directors, was appointed as Interim CEO during the process of identifying a permanent CEO. Mr. Mancebo and Mr. Gremse worked together to ensure a smooth transition.

The Company reported on November 19th that it had signed a memorandum of understanding regarding the settlement of the securities class action that was commenced against it in the United States. The Company has agreed that US$1.8 million will be paid to settle all claims. The settlement is made without any admission or finding of liability and is subject to court approval. There is no assurance that the settlement agreement will receive court approval. As at the date of publication of this MD&A, the Company has not received court approval.

As discussed in this MD&A, the Company saw a reduction in revenue as a result of operational issues at the production facility in Gainesville that resulted in a significant decrease the products available for sale.

Management has taken action and has been addressing the issues. December and January month to date results are showing a recovery in revenues. Specifically, the Company produced and sold the largest number of derivative products since the Company began recording the sales of vape products. Also, flower sales recovered in the month of December and January. Results to date indicate that quarter over quarter revenue growth will resume as inventory available for sale was reestablished at the Company dispensaries.

Between December 1st, 2020 and the date of publication of this MD&A, the Board of the Company granted a total of 6,164,000 options at the exercise prices and with the expiration dates noted in the table below:

Expiry date	Exercise price	Number of options	Vested and exercisable
January 3, 2026	$ 1.07	1,064,000	354,667
November 30, 2025	$ 0.51	5,100,000	100,000
Balance as at January 31, 2021		**6,164,000**	**454,667**

The options granted on January 4th, 2021, which expire on January 3rd, 2026 vest as follows: one third vested immediately, one third will vest on the first anniversary of the grant date, and one third will vest on the second anniversary of the grant date.

The options granted on December 1st, 2020, which expire on November 30th, 2025 vest as follows:

a) 100,000 options vested immediately

b) 100,000 options will vest in the first anniversary,

c) 100,000 options will vest on the second anniversary,

d) 1,800,000 options will vest in different tranches upon the achievement of certain performance goals;

e) 3,000,000 options vest upon the Company achieving certain performance objectives, and are subject to no more than 1,000,000 options vesting in any given fiscal year.

All 300,000 options under a), b), and c) above vest upon a change of control. All 1,800,000 options under d) above shall expire unexercised immediately prior to a change of control. Finally, all

3,000,000 options under e) above that remain unvested upon a change of control shall expire immediately prior to a change of control.

Other than as disclosed above, the Company has evaluated subsequent events through the date on which the condensed interim consolidated financial statements were available to be issued and has concluded that no other events or transactions took place that would require disclosure herein.

ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to disclose certain prescribed information clearly and prominently in prospectus filings and other required disclosure documents.

As a result of the Company's existing operations and recent acquisitions in the United States, Liberty is subject to the Staff Notice and accordingly provides the following disclosures:

Nature of Involvement

As at November 30, 2020, all of the Company's business was directly derived from US cannabis-related activities, based on the existing operations of the Company in Florida. As such, the Company's balance sheet and operating statement exposure to US cannabis-related activities is 100%.

Florida

The Company is licensed to operate as a "medical marijuana treatment center" under applicable Florida law pursuant to the terms of the license issued by the Florida Department of Health, Office of Medical Marijuana Use under the provisions of section 381.986, Florida Statutes. The Company operates the 387-acre Liberty 360 property in Gainesville, Florida where the Company cultivates and sells medical cannabis. Liberty has approximately 330 full or part time staff through the State of Florida, including lab technicians, horticulturalists, operations, sales, marketing, and manufacturing personnel. The Company began full production at its Liberty 360 location in Gainesville in fiscal 2019.

The Company had 27 dispensaries open as at November 30, 2020, compared to 26 dispensaries as at August 31, 2020. Subsequent to the end of the reporting period ended November 30, 2020, the Company opened its 28th dispensary in Lake City in December, and its 29th dispensary in Ft. Myers in January and has plans to open an additional two dispensaries on or before February 28, 2021, provided that all permits and authorizations are in place by the end of fiscal year 2021.

Enforcement of United States Federal Laws

In the United States, cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, and the increasing number of states with legal recreational frameworks, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, violates federal law in the United States. Senators Elizabeth Warren and Cory Gardner have introduced a bipartisan Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States (STATES) Act" that would lift the Controlled Substance Act's restrictions on cannabis in states that have written their own laws. In addition, subsequent to the end of the reporting period, on December 7th, 2020, the U.S. House of Representatives passed a bill to decriminalize marijuana at the federal level. The Marijuana Opportunity Reinvestment and Expungement (MORE) Act would expunge low-level cannabis convictions, remove pot from the Controlled Substances Act, and impose a 5 percent tax on legal marijuana sales. There can be no assurances as to when either bill will pass, or if they will pass at all. See "*Industry Trends and Risks*".

Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. See "*United States Enforcement Proceedings*". Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See "*Industry Trends and Risks*".

Under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I narcotics. Canadian banks are similarly reluctant to transact with cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. See ''*Industry Trends and Risks*".

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

United States Enforcement Proceedings

The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("Rohrabacher-Blumenauer Amendment"), which by its terms does not appropriate any federal funds to the United States Department of Justice for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Since it first passed as the Rohrabacher–Farr amendment in 2014, this measure has been renewed regularly with bipartisan support. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, the United States government could have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. The Company has had cannabis-related activities in the United States since its inception in July 2017 when the CSE approved the Business Combination and the resulting reverse takeover and listing of the Company's common shares. In addition, the Company had success completing private offerings in the past, including a May 2018 Bought Deal Offering which raised $21.4 million of net proceeds for the Company, and has ongoing banking relationships with Alterna Savings a

Canadian credit union based out of Ottawa, Ontario, and with First Federal Bank based out of Lake City, Florida. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company has never accessed public equity capital in the United States.

Regulation of Medical Cannabis in Florida

Liberty is licensed to produce and sell medical cannabis in the State of Florida through the Florida Department under the provisions of the Florida Legislation. The Florida Department of Health issued the License to Chestnut Hill Tree Farm on November 23, 2015 and Liberty acquired the rights to the License on May 23, 2017 via the exclusive management agreement entered between Liberty and Chestnut Hill Tree Farm. On September 28, 2017, the Florida Department approved the transfer of the License to Liberty Florida, which now solely owns and is entitled to utilize the License in Florida.

The License permits the sale of low-THC cannabis and medical marijuana with unlimited THC levels to treat a number of medical conditions in the State of Florida which are delineated in Florida Statutes section 381.986. Under the terms of the License, Liberty is permitted to sell medical cannabis only to qualified medical patients that are registered with the state. Only certified physicians who have successfully completed a medical cannabis educational program can register patients and their medical cannabis orders on the Florida Office of Medical Marijuana Use Registry. Liberty maintains an open and collaborative relationship with the Florida Department of Health and Liberty's operations are in full compliance with all laws and regulations.

Under the Liberty License, up until April 1, 2020 Liberty could operate up to 40 dispensaries statewide. Effective April 1, 2020 license holders can operate an unlimited number of dispensaries within the confines of the state of Florida. Currently, the dispensaries can be in any geographic location within the state as long as the local municipality's zoning regulations authorize such a use and is not within 500 feet of a K-12 school. In the State of Florida, only cannabis that is grown in the state can be sold in the state. As Florida is a vertically integrated system, Liberty (and other licensees) is required to cultivate, harvest, process and sell/dispense/deliver its own medical cannabis products. The State may also allow Liberty to make a wholesale purchase of medical cannabis from, or a distribution of medical cannabis to, another licensed medical marijuana treatment center within the state under limited circumstances such as a demonstrated crop failure. At the present time, Liberty's principal products include cannabis oil in capsule, oral solution, smokable flower, sublingual solution and vaporizer forms.

Regulatory Framework

The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as "Medical Marijuana Treatment Centers," to both cultivate, process, and dispense medical cannabis in a vertically integrated marketplace.

Licensing Requirements

Licenses issued by the Florida Department are renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. Effective April 1, 2020 license holders can only own one vertical medical cannabis license and MMTCs can operate an unlimited number of dispensaries within the confines of the state of Florida.

Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any byproducts to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees.

Upon approval of the application by the Department, the applicant must post a performance bond of up to US$5,000,000, which may be reduced by meeting certain criteria such as a minimum patient count.

Dispensary Requirements

An MMTC may not dispense more than a 70-day supply of cannabis. The MMTC employee who dispenses the cannabis must enter into the registry his or her name or unique employee identifier. The MMTC must verify that: (i) the qualified patient and the caregiver, if applicable, each has an active registration in the registry and active and valid medical cannabis use registry identification card, (ii) the amount and type of cannabis dispensed matches the physician certification in the registry for the qualified patient, and (iii) the physician certification has not already been filled. An MMTC may not dispense to a qualified patient younger than 18 years of age, only to such patient's caregiver. An MMTC may not dispense or sell any other type of cannabis, alcohol, or illicit drug-related product, except a cannabis delivery device as specified in the physician certification. An MMTC must, upon dispensing, record in the registry: (i) the date, time, quantity, and form of cannabis dispensed, (ii) the type of cannabis delivery device dispensed, and (iii) the name and registry identification number of the qualified patient or caregiver to whom the cannabis delivery device was dispensed. An MMTC must ensure that patient records are not visible to anyone other than the patient, caregiver, and MMTC employees.

Security Requirements for Cultivation, Processing and Dispensing Facilities

With respect to security requirements for cultivation, processing and dispensing facilities, an MMTC must maintain a fully operational alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, and duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with specified features. MMTCs must retain video surveillance recordings for at least 45 days, or longer upon the request of law enforcement. An MMTC's outdoor premises must have sufficient lighting from dusk until dawn.

An MMTC's dispensing facilities must include a waiting area with sufficient space and seating to accommodate qualified patients and caregivers and at least one private consultation area and such facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. but may perform all other operations and deliver cannabis to qualified patients 24-hours a day.

Transportation and Storage Requirements

Cannabis must be stored in a secured, locked room or a vault. An MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. MMTC employees must wear a photo identification badge and visitors must wear a visitor pass at all times on the premises. An MMTC must report to law enforcement within 24 hours after the MMTC is notified of or becomes aware of the theft, diversion or loss of cannabis. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system and must include the: (i) departure date and time, (ii) name, address, and license number of the originating MMTC, (iii) name and address of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and

(vii) name and signature of the MMTC employees delivering the product. Further, a copy of the transportation manifest must be provided to each individual, MMTC that receives a delivery. MMTCs must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must have their employee identification on them at all times. Lastly, at least two people must be in a vehicle transporting cannabis or cannabis delivery devices, and at least one person must remain in the vehicle while the cannabis or cannabis delivery device is being delivered.

Department Inspections

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

Compliance of United States Operations

Liberty is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Florida. As further detailed above, Liberty is licensed to operate as a MMTC under applicable Florida law pursuant to the terms of the Florida License. The Florida License grants Liberty the authority to possess, cultivate, process, dispense and sell medical cannabis in the State of Florida. Liberty has not experienced any non-compliance nor has been subject to any notices of violation by the Department. As at November 30, 2020, Liberty maintains banking relationships in the United States with First Federal Bank in Florida, and Alterna Savings in Canada. The Company also engages armored car services as a custodian of cash and deposits, which are delivered to the Federal Reserve Bank on behalf of the Company and then reflected in the Company's First Federal bank account.

The Company has a full time Compliance Officer on staff in Florida whose responsibilities are to monitor the day to day activities of staff, including ensuring that the established standard operating procedures are being adhered to at each stage of the cultivation, processing and distribution cycle, to identify any non-compliance matters and to put in place the necessary modifications to ensure compliance. The Compliance Officer performs monthly, unannounced audits against the Company's established standard operating procedures and state regulations. Each employee is provided with an employee handbook outlining the standard operating procedures and state regulations upon hiring and is then provided with one on one quality and regulatory training by the Compliance Officer. The Company has 24-hour surveillance of every room, including greenhouses, in which cannabis is cultivated, processed, and stored. This footage is kept for at least 45 days as per the requirements of the Department. Security officers also perform a walk through every four hours to check each room and look for unusual activity. The Company also utilizes state approved software for tracking cannabis inventory from seed to sale. The Compliance Officer's duties also include ongoing education of staff on the state regulations. State inspections to date have not resulted in any material non-compliance issues.

The Company has worked with its legal advisors in Florida to implement, and is working with legal advisors to implement measures designed to ensure compliance with applicable state laws in the United States on an ongoing basis, including:

- weekly correspondence and updates with advisors;
- development of standard operating procedures with respect to cultivation, processing and distribution;
- ongoing monitoring of compliance with operating procedures and regulations by on-site management;
- appropriate employee training for all standard operating procedures; and
- subscription to monitoring programs to ensure compliance with the FCEN Memo (as

defined herein).

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under the federal laws of the United States. See "*Industry Trends and Risks*".

INDUSTRY TRENDS AND RISKS

The Company's overall performance and results of operations are subject to a number of risks and uncertainties, of which the below are considered to be the Company's principal risks. For a more detailed and complete discussion of economic, industry and risk factors of the Company, please see the "Risk Factors" section in our most recent Annual Information Form, dated June 25, 2020.

Risk Factors Related to the United States

While cannabis is legal in many US state jurisdictions, it continues to be a controlled substance under the United States Federal Controlled Substances Act.

Investors are cautioned that in the United States, cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, and the increasing number of states with legal recreational frameworks, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, violates federal law in the United States. Senators Elizabeth Warren and Cory Gardner have introduced a bipartisan Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States (STATES) Act" that would lift the Controlled Substance Act's restrictions on cannabis in states that have written their own laws. In addition, subsequent to the end of the reporting period, on December 7th, 2020, the U.S. House of Representatives passed a bill to decriminalize marijuana at the federal level. The Marijuana Opportunity Reinvestment and Expungement (MORE) Act would expunge low-level cannabis convictions, remove pot from the Controlled Substances Act, and impose a 5 percent tax on legal marijuana sales. There can be no assurances as to when either bill will pass, or if they will pass at all.

The United States Congress has passed appropriations bills in 2019 and each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

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

The Company derives 100% of its revenues from the cannabis industry in Florida, which industry is illegal under the federal laws of the United States. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under the federal laws of the United States. The enforcement of relevant federal laws is a significant risk.

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

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. To the knowledge of management of the Company, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and as a result it is uncertain how active federal prosecutors are or will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors.

Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the Rohrabacher-Leahy Amendment) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice up and through the 2018 appropriations deadline of September 30, 2018. These protections were subsequently extended through December 7, 2018 and January 25, 2019 as part of short-term continuations of appropriations. On February 15, 2019, the amendment was renewed as part of an omnibus appropriations bill in effect until September 30, 2019. See "*United States Enforcement Proceedings*". This amendment has been renewed regularly with bipartisan support. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law in the future.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results, and financial condition as well as the Company's reputation, even if such proceedings were concluded in favor of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets; however, as of the date hereof, the Company believes and has obtained legal advice in respect thereof that proceedings of this nature are remote.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.

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 *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the *Bank Secrecy Act*), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) 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 FCEN issued the FCEN Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, affect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its common shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's investments in the United States may be subject to heightened scrutiny.

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments, 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 to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

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

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 revised their previously released Staff Notice setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views the Staff Notice favorably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

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

Regulatory risks

The activities of the Company are subject to regulation by governmental authorities. The Company's business objectives are in part contingent upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. Liberty cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. New risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Furthermore, although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to import, distribute or, in the future, produce cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis, or more stringent implementation thereof could have a substantial adverse impact on the Company.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future operations of the Company in the United States. As a result of the tension between state and federal law, there are a number of significant risks associated with the Company's existing and future operations in the United States.

Legislative or regulatory reform and compliance

The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import management, packaging/labeling, processing, production, advertising, sale, transportation, storage and disposal of medical cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, relationships with health care providers, the conduct of operations and the protection of the environment.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company's investments and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the profitability of Company's operations and could make the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

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

The commercial medical and recreational cannabis industry is in its infancy and the Company anticipates that such regulations will be subject to change as the state and federal government monitors licensed producers in action. The Company will continue to monitor compliance on an ongoing basis in accordance with all applicable internal and external policies and procedures, which can be found in the Company's initial application for licensure and in Company manuals and protocols.

Reliance on third-party suppliers, manufacturers, and contractors

The Company maintains a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

Banking

Since the cultivation, distribution and possession of cannabis is currently illegal under U.S. federal law, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company. See *Issuers with U.S. Cannabis Related Business – Ability to Access Public and Private Capital* and *Issuers with U.S. Cannabis Related Business – Compliance of United States Operations*.

Operation permits and authorizations

The Company's investments may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Liability, enforcement complaints, etc.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company or its investments. Litigation, complaints, and enforcement actions involving either of the Company or its investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

COVID-19

COVID-19 started to develop toward the end of our fiscal year, with the first confirmed cases of coronavirus being detected in Florida on March 1. Subsequent to February 29, 2020 markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020.

Subsequent to the fiscal year end, despite the numbers of confirmed cases continuing to increase, due to the Company being deemed an essential business, the Company's dispensaries continued to operate as at November 30, 2020, albeit not without challenges. Like many other business, the Company's business has been affected by external pressures such as family care, childcare closings, school closings, etc. that have caused numerous employees to take leave. Furthermore, a substantial number of jobs were lost in the middle of this pandemic crisis, likely affecting the Company's patients income, and ultimately affecting their spending on the Company products. Other impacts to the Company include retail operations being subject to store closures, same as other Company facilities; the Company's supply chain being subject to disruptions; and the Company sales may be affected by customers avoidance of public and retail places. More generally, the Company has strategically delayed its store openings, due to the coronavirus pandemic. Other strategic actions taken by the Company included the temporary lifting of our delivery fees until further notice and offering curbside pickup.

While the coronavirus pandemic is rapidly evolving and there are many factors for which the impacts are unknown, management continues to assess the situation on a daily basis. Barring any significant changes for which management might not have control, management considers that it is reasonably likely to expect the business to continue showing the resilience it has shown in the first months of the coronavirus crisis.

As at November 30, 2020, the Company asset carrying values were not impaired due to coronavirus. However, the ultimate impact of the COVID-19 or any epidemic crisis on the Company's business, results of operations and financial condition are highly uncertain, and are dependent on future events and developments that cannot be predicted, and which have the potential to materially and adversely affect the Company's business, its results of operations and financial condition.

Looking forward, COVID-19 presents significant economic and regulatory uncertainty. Consequently, it is difficult to reliably measure the potential impact of this uncertainty on future financial results.

Reliance on License

The Company's ability to grow, store and sell medical cannabis and cannabis oil in the State of Florida is dependent on maintaining its Florida License in good standing with the Florida Department. Failure to comply with the requirements of the Florida License, or any failure to maintain any licenses held would have a material adverse impact on the business, financial condition and operating results of the Company. The Company's licenses are currently in good standing and the Company remains fully compliant with the associated state laws and regulations.

Risks Inherent in an Agricultural Business

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

Limited Operating History

Since its inception, the Company's activities have been funded through financing activities. Starting with the quarter ended August 31, 2019, Liberty also began funding activities from cash from operations. The Company is subject to many of the risks common to early-stage enterprises, including challenges related to laws, regulations, licensing; integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Securing Additional Financing to Fund Operations and Meet Consumer Demand

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. See *Issuers with U.S. Cannabis Related Businesses – Ability to Access Public and Private Capital*. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations until positive cash flow is achieved.

Regulatory or Agency Proceedings, Investigations and Audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines, and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, and results of operation.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business 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 value of the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand. See note regarding litigation in "Commitments and Contingencies".