SIMPLY BETTER BRANDS CORP.

(FORMERLY PUREK HOLDINGS CORP.)

Management's Discussion and Analysis

June 30, 2021

(Expressed in United States dollars unless otherwise specified)

Table of Contents

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Simply Better Brands Corp. (formerly PureK Holdings Corp.) ("SBBC", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto prepared in accordance with International Financial Reporting Standards ("IFRS") for the six months ended June 30, 2021. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company and the notes relating thereto, for the six months ended June 30, 2021, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and the annual management discussion and analysis for the year ended December 31, 2020 which are available on the SEDAR website at www.sedar.com.

This MD&A is prepared as of August 30, 2021. All dollar amounts in this MD&A are expressed in thousands of United States dollars ("$", "US$" or "US dollar"), unless otherwise specified. Canadian dollars are referred to as "CA$".

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

FORWARD LOOKING STATEMENTS

Certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking statements contained in this MD&A are based on certain assumptions and analysis by management of the Company ("Management") in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate. The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) the impact of the COVID-19 pandemic (ii) the regulatory climate in which the Company operates; (iii) the continued sales success of the Company's products; (iv) the continued success of sales and marketing activities; (v) there will be no significant delays in the development and commercialization of the Company's products; (vi) there will be no significant reduction in the availability of qualified and cost-effective human resources; (vii) new products will continue to be added to the Company's portfolio; (viii) demand for hemp-based wellness products will continue to grow in the foreseeable future; (ix) there will be no significant barriers to the acceptance of the Company's products in the market; (x) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; (x) there will be adequate liquidity available to the Company to carry out its operations; and (xi) products do not develop that would render the Company's current and future product offerings undesirable and the Company is otherwise able to minimize the impact of competition and keep pace with changing consumer preferences; and (xii) the Company will be able to successfully manage and integrate acquisitions, if any.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, the adverse impact of the COVID-19 pandemic to our operations, our supply chain, our distribution chain, and to the broader market for our products, revenue fluctuations, nature of government regulations (both domestic and foreign), economic conditions, loss of key customers, retention and availability of executive talent, competing products, the effectiveness of ecommerce marketing strategies, loss of proprietary information, product acceptance, internet and system infrastructure functionality, information technology security, cash available to fund operations, availability of capital and, international and political considerations, the successful integration of acquired businesses, if any, as well as the risks and uncertainties discussed under the heading "Risks and Uncertainties" in this MD&A. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

COMPANY OVERVIEW

SBBC was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 19, 2018 and changed its name from AF1 Capital Corp. to PureK Holdings Corp. on December 8, 2020 and from PureK Holdings Corp. to Simply Better Brands Corp. on May 3, 2021.

The Company is listed on the TSX Venture Exchange (the "Exchange").

In connection with the name changes, on May 3, 2021, the Company's common shares commenced trading on the TSX under the symbol "SBBC". Prior to May 3, 2021, the Company's common shares traded on the TSX under the symbol "PKAN".

The Company is an international omni-channel platform with diversified assets in the emerging plant-based and holistic wellness consumer product categories. The Company focuses on innovation for the informed Millennial and Generation Z generations in the rapidly growing plant-based, natural, and clean ingredient space. The Company also focuses on expansion into high-growth consumer product categories including CBD products, plant-based food and beverage, and the global pet care and skin care industries. The head office and the registered address of the Company are 206-595 Howe Street Vancouver, British Columbia V6C 2T5.

The Company operates in one reportable segment being the sale of consumer health and wellness products with sales principally generated from the United States. Hemp extracts are produced from Industrial Hemp, which is defined as the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% THC. The Company works closely with manufacturers who have the licenses required to manufacture CBD consumer products and e-commerce partners for the sale and distribution of its products. The Company also offers skin care consumer products through its subsidiary No BS Life LLC.

Revenues from sale of SBBC's products were principally generated in the United States.

The Company offers a diverse range of Hemp derived products including CBD to its customers including ingestibles (tinctures, capsules and gummies) and topicals. The Company's primary source of revenue is from its PureKana.com ecommerce website, however it has recently been expanding its sales to retail stores. These retail stores include large retail chains as well as small independent retailers. The Company does not use affiliate marketing as it sees better margin through generating a sale directly through its own marketing efforts and has cultivated a valuable database of customer information over the past three years. The Company has focused on brand building since its inception and currently has one of the leading positions with social media following of its brand in the US. The

Company currently has over 98,000 Instagram followers making it one of the leading CBD brands followed on this influential social media platform.

The Company also offers high quality skin care products to consumers through its NO BS brand. No B.S. Skincare was founded to provide consumers a clean and environmentally friendly alternative to the excesses of the beauty industry. No B.S. Skincare's products are made with potent, plant-based and scientifically proven ingredients and – unlike other skincare solutions - with absolutely no harmful chemicals like parabens, sulfates, or phthalates, and no synthetic fragrances. All of their products are responsibly made in America and are never tested on animals. The No BS product line includes, Caffeine Eye Cream and Retinol Night Cream, Charcoal Peel-Off Masks, Moisturizers, Serums, Toner, Cleanser, and Acne Patches.

The Company also has followed a tight operating model that efficiently generates sales while maintaining tight control over its expenses. The Company's operating model therefore has focused on developing key strategic relationships with its product vendors to produce its products rather than a classic vertically integrated model that other competitors have followed. We have strategic partners in fulfillment, marketing and customer service that have provided the Company a with an ability to scale its business without significant need for capital investment. The Company has been able to quickly develop its revenues since its inception as result of its agile partnership model and below benchmark fixed costs.

As the Company acquires other brands into its portfolio, it will focus on integrating the operations of the acquired companies with its main business with a goal to reduce operating costs and market its product offerings across its brand portfolio either through e-commerce or through its retail channels.

- **Acquisition of No B.S. Life, LLC ("No B.S. Skincare")**

  On February 18, 2021 (the "Closing Date"), the Company completed the acquisition of No B.S. Skincare with DTC Brands LLC ("DTC"). Pursuant to the Membership Interest Purchase Agreement (the "No BS Agreement"), the Company and its subsidiary, PureKana LLC ("PureKana"), acquired all of the issued and outstanding membership units of No B.S. Skincare, with 65% of the purchase price to be paid by the Company and 35% to be paid by PureKana, with resulting proportional ownership interests (the "Acquisition of No B.S.").

  The Company issued $4 million payable in unsecured convertible debentures, with 3.25% non-compounding interest, payable in cash or common shares of the Company at the discretion of the Company, with a maturity date of twenty-four months following the date of closing.

  Under the terms of the convertible debentures, the noteholders have the option, on a monthly basis after the issuance of the convertible debentures, to convert any portion thereof (including accrued interest on such portion) into common shares of the Company, provided that the noteholders will not hold, at any time, in excess of 7% of the current issued and outstanding common shares of the Company. Any portion or all of the convertible debentures which have not been converted into common shares will be paid in cash at the maturity date. The conversion price of the convertible debentures is the higher of $10.00 in Canadian dollar ("CA$") and the volume weighted average price (the "VWAP") of the Company's shares determined based on the 15 trading days immediately preceding the date of notice of conversion.

  In addition, a cash payment of $500,000 will be made within 6 months of the Closing Date. Current members of DTC will be eligible to receive earnout compensation of $1 million if No B.S. Skincare's revenues and earnings before interest, taxes, depreciation, and amortization ("EBITDA") equal or exceed $6 million and $360,000, respectively, in the fiscal year 2021, and/or $2.5 million if No B.S. Skincare's revenues and EBITDA exceed $8 million and $480,000, respectively, in the fiscal year 2022.

- **Acquisition of Nirvana Group, LLC ("Nirvana")**

  On February 17, 2021, the Company entered into a definitive agreement ("the Nirvana Agreement") to acquire Nirvana (the "Acquisition of Nirvana"), a Florida-based company specializing in the development, manufacturing, and distribution of all-natural pet wellness products and which includes the BudaPets brand.

  Under the terms of the Nirvana Agreement, the Company will acquire all of the issued and outstanding membership units of Nirvana. The Company will issue $1.5 million payable in unsecured convertible debentures, with 3.25% non-compounding interest per annum, with a maturity date that is twenty-four months following the date of closing. Current members of Nirvana will have the option, on a monthly basis, to convert any portion of the convertible debentures into common shares of the Company at a price equal to the higher of CA$3.50 or the VWAP. Any portion or all of the convertible debentures which have not been so converted into common shares will be payable in cash at the maturity date.

  In addition, current members of Nirvana will be eligible to receive earnout compensation of $500,000, payable in common shares of the Company, if Nirvana's net revenue equals or exceeds $1 million for the 2021 fiscal year, and an additional $1 million payable in common shares of the Company if Nirvana's net revenue exceeds $2.5 million in the fiscal year 2022.

  The Acquisition of Nirvana was completed on April 28, 2021.

- **Acquisition of TRU Brands Inc. ("Tru Brands")**

  On March 3, 2021, the Company entered into a binding term sheet (the "Tru Brands LOI") to acquire 100% of the issued and outstanding shares of Tru Brands.

  TRU Brands products are available at Costco Canada East locations in Ontario, Quebec, Nova Scotia, New Brunswick, and Newfoundland and Labrador. Tru Brands also plans to expand the sales channels, including the expansion commitments into approximately 800 Shoppers Drug Mart locations and Rexall, Metro, and Loblaws locations. Additionally, in April 2021 TRU Brands launched TRUWOMEN.CA, its own consumer-facing online store in Canada.

  On August 17, 2021 (the "Tru Brands Closing Date"), the Company completed the acquisition. Under the terms of the acquisition, the Company acquired 24,586,477 shares of common stock with $0.001 par value per share of Tru Brands and 25,000,000 shares of Series A preferred stock with $0.001 par value per share of Tru Brands, and satisfied certain outstanding indebtedness of Tru Brands for an aggregate purchase consideration of $7,500,000, paid in the form of issuance of the Company's shares to the shareholders and debtholders of Tru Brands, calculated on the basis of the volume weighted average closing price of the Company's shares on the Exchange determined based on the 10 trading days immediately preceding the Tru Brands Closing Date. In connection with the acquisition, the Company issued 89,462 common shares as finder's fee.

PROPOSED TRANSACTIONS

- **Acquisition of Crisp Management Group Inc. ("CMG")**

  On August 20, 2021, the Company entered into a non-binding term sheet (the "CMG Term Sheet") to acquire 60% of CMG to focus on the sale and distribution of CBD and Hemp products through Breakaway Music Festivals in North America as well as through E-commerce.

Pursuant to the terms of the CMG Term Sheet, the Company will acquire 60% of the outstanding shares of CMG for USD$500,000, to be satisfied through the issuance of common shares of the Company at a price per share equal to the ten (10) trading day volume weighed average price ("VWAP") of the shares on the Exchange in the ten (10) trading days immediately prior to the closing date of the transaction. It is expected that the share consideration will be subject to escrow, with 15% releasable every four months in the first 20-month after the closing date, and the remaining 25% releasable 24 months from the closing date.

FACTORS AFFECTING THE COMPANY'S PERFORMANCE

The Company's performance and future success depends on a number of factors. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under the heading "Risk and Uncertainties".

The COVID-19 Pandemic

Since December 31, 2019, the outbreak of the novel strain of coronavirus, identified as COVID-19, has resulted in governments worldwide enacting measures to combat the spread of the virus, including in the United States. These measures, which include the implementation of travel restriction, self-isolation measures, and physical distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The deterioration of economic conditions to date has resulted in a surge in unemployment and may lead to a deterioration in consumer balance sheets, all of which may impact consumer spending behavior and could adversely affect the Company's financial performance.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the response measures as well as the evolution of a new variant of COVID-19 that is more contagious, has more severe effects or is resistant to treatments or vaccinations. It is impossible to forecast the duration and full scope of the economic impact of COVID-19 and its variant strains and other consequential changes it will have on the Company's business, operations and prospects, both in the short term and in the long term. See also "Risks and Uncertainties - Impacts of COVID-19 to the Company's Business" below.

Branding

The Company believes that its brand image and awareness is built around consumer trust with a focus on quality. Maintaining and enhancing its brand image and increasing brand awareness in its current markets and in new markets where the Company had limited brand recognition is critical to its continued success.

Maintaining and enhancing the Company's brand image and increasing brand awareness may require the Company to make investments in areas such as marketing, product development, brand development, employee training and public relations, and may require the Company to incur other costs associated with continuing to expand e-commerce sales. These investments may be substantial, and the Company's efforts may not ultimately be successful. Failure to maintain and enhance the Company's brand in any of its key markets may materially and adversely affect the Company's business, results of operations or financial condition.

Product Innovation and Planning

The Company believes that product innovation is integral to its success and it continues to focus on innovation as a key pillar of growth. The Company's business is subject to changing consumer trends and preferences. The success of new product offerings depends upon a number of factors, including the Company's ability to: (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products in a timely manner; (iv) price products competitively; (v) deliver products in sufficient volumes and in a timely manner; and (vi) differentiate product offerings from those of competitors.

Management and Growth of E-Commerce Sales

Management and growth of the Company's e-commerce sales are essential to growth. The usability of and client experience provided by the Company's e-commerce platform is critical to the success and growth of its e-commerce sales. Any extended software disruption of the Company's e-commerce platform or the failure on the part of the Company to provide an attractive, effective, reliable, user friendly e-commerce platform that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of online customers could place the Company at a competitive disadvantage, result in the loss of revenue or harm the Company's reputation with customers and could have a material adverse effect on business and results of operations. The Company also depends on third-party service providers for its e-commerce platform and any service disruption on their part could affect customer ability to access the Company's website resulting in loss of revenue or harm to reputation.

The success of the Company's e-commerce sales is also dependent on the Company's ability to successfully manage the costs, difficulties and competitive pressures associated with shipping, including inventory management and distribution, and compliance with governing statutes, laws, regulations and regulatory policies in the jurisdictions to which products are shipped, including laws governing the operating and marketing of e-commerce websites, as well as the collection, storage and use of information on consumers interacting with these websites. If the Company is unable to expand or update its e-commerce site commensurately with competitors, manage shipping and successfully respond to the risks inherent to e-commerce, the Company's financial position and results of operations may be negatively impacted.

Furthermore, if the Company is unable to successfully capitalize on digital marketing channels to drive client acquisition and retention, including search engine optimization, email marketing, improved product descriptions, data driven category naming, and the leveraging of social media, the Company's financial position and results of operations may be negatively impacted. Periodic changes to search engine algorithms, which retrieve data from search indices and deliver ranked search results, produce changes in search engine results pages (SERPs). Any changes to these algorithms and therefore search engine results pages could reduce visibility of, and traffic on, the Company's e-commerce website and negatively impact the Company's financial position and results of operations.

Competition

The market for its consumer wellness products is highly competitive. The competition consists of publicly and privately-owned companies, which tend to be highly fragmented in terms of geographic market coverage, vertical integration and products offered. With the Company's strong brand status and innovative products, Management believes the Company is well-positioned to capitalize on favorable long-term trends in the consumer wellness products segment.

Growth Strategies

The Company has a successful history of growing revenue and it believes it has a strong growth strategy aimed at meeting or exceeding industry growth rates. The Company's future depends, in part, on Management's ability to implement its growth strategy including (i) product innovations; (ii) management and growth of e-commerce sales; and (iii) growth in retail, wholesale and distributor partnerships and (iv) acquisitions of other brands related to its growth strategy. The ability of the Company to implement this growth strategy depends on, among other things, its ability to develop new products that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the market, and identify and successfully enter, and market products in new geographic areas and segments as well the ability to successfully navigate legislative and regulatory uncertainties. See "Risks and Uncertainties".

Regulation

The Company is subject to the local, state, and federal laws in the jurisdictions in which it operates. Outside of the United States, the Company's products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and the retail sale of hemp-derived products. The Agricultural Improvement Act of 2018 (the "2018 Farm Bill") became law on December 20, 2018. The 2018 Farm Bill removed hemp from the list of controlled substances under the Controlled Substances Act. The 2018 Farm Bill also redefined hemp to include its "derivatives, extracts, and cannabinoids", and accordingly removed popular hemp products, such as CBD from the purview of the U.S. Drug Enforcement Agency ("DEA"). Although the DEA no longer regulates hemp, the U.S. Food and Drug Administration ("FDA") retains its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts such as CBD. The FDA governs the regulations applicable to the Company as a vendor and marketer of hemp-derived products. These include regulations for nutrition and allergen labeling and label claim regulations; rules for submission of received serious adverse event reports; and safety requirements, including, as applicable, new dietary ingredient ("NDI") and generally recognized as safe ("GRAS") regulations. The FDA has stated its concerns over drug claims being made about products that contain CBD, as well as the agency's position that under the Food, Drug and Cosmetic Act ("FD&C Act") CBD cannot be marketed in a food or a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the "Prior Drug Exclusion "). The Company believes there are significant arguments against this position in that all conditions of the applicable statute must be met before the Prior Drug Exclusion applies. Importantly, there have been recent regulatory and legislative developments, described in more detail under the heading "Regulatory Framework" in the Company's filing statement dated November 20, 2020, which may provide a pathway for allowing hemp-derived compounds, such as CBD, in foods and dietary supplements. A copy of the filing statement may be viewed under the Company's SEDAR profile at www.sedar.com.

HIGHLIGHTS

New sales platform of No B.S. Skincare products

From February 2021, all No B.S. Skincare products, including its Award-Winning Caffeine Eye Cream and Retinol Night Cream, Charcoal Peel-Off Mask, Moisturizers, Serums, Toner, Cleanser, and Acne Patches, are available through the website of major retailer Target.

Stock Split

On February 22, 2021, the Company implemented a 3 for 1 forward split of the Company's issued and outstanding common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and options and exercise price per warrant and option presented in this MD&A had been adjusted accordingly.

PureKana entered into a partnership with Chemesis International Inc. ("Chemesis")

On April 13, 2021, PureKana entered into a brand partnership with Chemesis, a leading cannabis and CDB retailer, under which PureKana's industry-leading CBD products will become available at hundreds of proprietary Chemesis kiosks throughout the United States.

Financing

On May 4, 2021, the Company issued a promissory note for cash proceeds of $630,000. The promissory note bears interest at 9% per annum and matures on May 4, 2023.

Stock Option Plan (the "Plan") and Restricted Share Unit ("RSU") Plan and Deferred Share Unit (the "DSU") Plan (collectively the "Incentive Plan")

The Incentive Plan was approved at the annual general and special meeting held on July 15, 2021.

RESULTS OF OPERATIONS

	For the six months ended	
expressed in millions except for earnings (loss) per share	**June 30, 2021** **$**	**June 30, 2020** **$**
Revenue	5.6	7.8
Gross margin (in $)	3.4	5.0
Gross margin (in %)	61%	64%
Operating expenses	4.9	4.6
Other income (expenses)	(0.4)	-
Net income (loss)	(1.9)	0.5
Earnings (loss) per share		
- Basic	(0.1)	1.2
- Diluted	(0.1)	1.2

expressed in millions except for dividend per share	**June 30, 2021** **$**	**December 31, 2020** **$**
Total assets	21.2	12.1
Total non-current financial liabilities	25.1	21.3
Dividend per share	-	-

The net loss for the second quarter of 2021 was $1.3 million compared to a net income of $0.3 million for the second quarter of 2020.

The net loss for the six months ended June 30, 2021 was $1.9 million compared to a net income of $0.5 million during the six months ended June 30, 2020.

Revenue

	For the three months ended					
	June 30, 2021		June 30, 2020		Change in	
expressed in millions	$	%	$	%	$	%
Direct to consumer	2.9	94%	3.6	90%	(0.7)	-19%
Business to business	0.2	6%	0.4	10%	(0.2)	-50%
	3.1	**100%**	**4.0**	**100%**	**(0.9)**	**-23%**

	For the six months ended				Change in	
	June 30, 2021		June 30, 2020			
expressed in millions	$	%	$	%	$	%
Direct to consumer	5.2	93%	7.2	92%	(2.0)	-28%
Business to business	0.4	7%	0.6	8%	(0.2)	-33%
	5.6	**100%**	**7.8**	**100%**	**(2.2)**	**-28%**

The Company's revenue is generated by two segments, Direct to Consumer ("DTC") and Business to Business ("B2B").

Revenue for the second quarter of 2021 was $3.1 million, of which $2.9 million (94%) and $0.2 million (6%) was generated from the DTC and B2B, respectively, compared to $4.0 million, of which $3.6 million (90%) and $0.4 million (10%) was generated from the DTC and B2B, in the second quarter of 2020. Gross revenue excludes sales discount for the second quarter of 2021 and 2020 was $3.2 million and $4.1 million, respectively. The Company's discount was increased to an average of 31% in the second quarter of 2021 compared to 24% in the second quarter of 2020 reflecting the increased competition the Company experienced in the CBD market.

Revenue for the six months ended June 30, 2021 was $5.6 million, of which $5.2 million (93%) and $0.4 million (7%) was generated from the DTC and B2B, respectively, compared to $7.8 million, of which $7.2 million (92%) and $0.6 million (8%) was generated from the DTC and B2B, during the six months ended June 30, 2020. Gross revenue excludes sales discount for the second quarter of 2021 and 2020 was $7.6 million and $9.8 million, respectively. The Company's discount was increased to an average of 26% during the six months ended June 30, 2021 compared to 20% during the six months ended June 30, 2020 reflecting the increased competition the Company experienced in the CBD market. No B.S. Skincare was acquired on February 18th and as a result approximately $1.3 million of sales were reflected in the consolidated sales for six months ended June 30, 2021.

The decrease in revenue of $0.9 million (22%) in the second quarter of 2021 and $2.2 million during the six months ended June 30, 2021 was mainly due to the increase in competition of the online CBD sales and higher discounts (31% in the second quarter of 2021 and 26% for the six months ended June 30, 2021 compared to 24% in the second quarter of 2020 and 20% for the six months ended June 30, 2020) as well as the negative impact of the Covid 19 health crisis that negatively impacted offline sales as retailers were closed for a good portion of 2020 and reluctant to add new vendors to their existing CBD product SKU's.

Cost of goods sold

	For the three months ended				Change in	
	June 30, 2021		June 30, 2020			
expressed in millions	$	%	$	%	$	%
Product costs	0.9	70%	0.9	65%	-	0%
Merchant processing fees	0.2	15%	0.3	21%	(0.1)	-33%
Fulfillment costs	0.2	15%	0.2	14%	-	0%
	1.3	**100%**	**1.4**	**100%**	**(0.1)**	**-7%**

	For the six months ended					
	June 30, 2021		June 30, 2020		Change in	
expressed in millions	$	%	$	%	$	%
Product costs	1.4	63%	1.7	62%	(0.3)	-18%
Merchant processing fees	0.3	14%	0.5	19%	(0.2)	-40%
Fulfillment costs	0.5	23%	0.5	19%	-	0%
	2.2	**100%**	**2.7**	**100%**	**(0.5)**	**-19%**

Cost of goods sold includes the product cost, merchant processing fees, and fulfillment and delivery costs. Product costs may vary directly based on hemp's crop price and the CBD derivatives from the crops. Merchant processing fees may be affected by the CBD industry's risk and customer data security and fraud. Fulfillment costs are mainly driven by the delivery costs with the main courier companies.

Cost of goods sold was $1.3 million (includes the product costs of $0.9 million (70%), merchant processing fees of $0.2 million (15%) and fulfillment costs of $0.2 million (15%)) compared to $1.4 million (includes the product costs of $0.9 million (65%), merchant processing fees of $0.3 million (21%) and fulfillment costs of $0.2 million (14%)) in the second quarter of 2021 and 2020, respectively.

Cost of goods sold was $2.2 million (includes the product costs of $1.4 million (63%), merchant processing fees of $0.3 million (14%) and fulfillment costs of $0.5 million (23%)) compared to $2.7 million (includes the product costs of $1.7 million (62%), merchant processing fees of $0.5 million (19%) and fulfillment costs of $0.5 million (19%)) during the six months ended June 30, 2021, and 2020, respectively.

The decrease in cost of goods sold of $0.1 million (7%) and $0.5 million (19%) in the second quarter of 2021 and six months ended June 30, 2021, respectively was primarily due to the decrease in revenue.

Gross profit

	For the three months ended					
	June 30, 2021		June 30, 2020		Change in	
expressed in millions	$	%	$	%	$	%
Gross profit	1.8	58%	2.6	65%	(0.8)	-31%

	For the six months ended					
	June 30, 2021		June 30, 2020		Change in	
expressed in millions	$	%	$	%	$	%
Gross profit	3.4	61%	5.0	64%	(1.6)	-32%

Gross profit for the second quarter of 2021 was $1.8 million (58%) compared to $2.6 million (65%) in the second quarter of 2020.

Gross profit for the six months ended June 30, 2021 was $3.4 million (61%) compared to $5.0 million (64%) for the six months ended June 30, 2020.

Gross profit margin % was negatively impacted by the increase in discount during the second quarter of 2021 and the six months ended June 30, 2021. The gross margin decreases of $0.8 and $1.6 in the second quarter of 2021 and the six months ended June 30, 2021, respectively, compared prior periods was mainly due to lower sales experienced in for the six months ended June 30, 2021.

Operating expenses

Followings are the breakdown of the major operating expenses in the presented period:

	For the three months ended					
	June 30, 2021		June 30, 2020		Change in	
*expressed in millions **	$	%	$	%	$	%
Customer service support	-	0%	0.1	4%	(0.1)	-100%
General and administrative expenses	0.2	7%	0.1	4%	0.1	100%
Marketing expense	1.2	43%	1.2	52%	-	0%
Professional fees	0.3	11%	0.5	22%	(0.2)	-40%
Regulatory and filing fees	0.1	4%	-	0%	0.1	100%
Salaries and wages	0.9	32%	0.3	13%	0.6	200%
Other items **	0.1	3%	0.1	5%	(0.0)	0%
	2.8	**100%**	**2.3**	**100%**	**0.5**	**22%**

**Items in each presented period with a balance below $0.1M are either combined as "Other Items" or excluded from the table above.*
***Other items including items with a balance below $0.1M and rounding adjustment.*

Operating costs for the second quarter of 2021 were $2.8 million, an increase of $0.5 million (22%), compared to $2.3 million in the second quarter of 2020.

The majority of the operating costs incurred in the second quarter of 2021 were marketing expenses of $1.2 million (43%) and salaries and wages of $0.9 million (32%). Of the $0.9 Million in salaries and wages, $0.1 million was one time salary and wages expenses (management bonuses). Salaries and wages excluding the one-time amount of $0.1 million was comparable to salaries and wages in the first quarter of 2021 ($0.7 million). The majority of the operating costs incurred in the second quarter of 2020 were marketing expenses of $1.2 million (52%), professional fees of $0.5 million (22%) and salaries and wages of $0.3 million (13%). Compared to the second quarter of 2020, the increase in salaries and wages of $0.6 million (200%) was mainly related to the increase in the company's full-time employees in the sales and marketing operations.

As the Company pursued its growth strategy through mergers and acquisitions it incurred regulatory filing fees of $0.1 million as well as legal expenses related to the acquisitions. The professional fees incurred in the second quarter of 2020 was mainly related to the acquisition of PureKana.

	For the six months ended				Change in	
	June 30, 2021		June 30, 2020			
*expressed in millions **	$	%	$	%	$	%
Customer service support	0.1	2%	0.1	2%	-	0%
General and administrative expenses	0.4	8%	0.3	7%	0.1	33%
Marketing expense	2.1	43%	2.7	59%	(0.6)	-22%
Professional fees	0.5	10%	0.7	15%	(0.2)	-29%
Salaries and wages	1.6	33%	0.7	15%	0.9	129%
Regulatory and filing fees	0.2	4%	-	0%	0.2	100%
Other items **	-	0%	0.1	2%	(0.1)	-100%
	4.9	**100%**	**4.6**	**100%**	**0.3**	**7%**

**Items in each presented period with a balance below $0.1M are either combined as "Other Items" or excluded from the table above.*
***Other items including items with a balance below $0.1M and rounding adjustment.*

Operating costs for the six months ended June 30, 2021 were $4.9 million, an increase of $0.3 million (7%), compared to $4.6 million for the six months ended June 30, 2020.

The majority of the operating costs incurred during the six months ended June 30, 2021 were marketing expenses of $2.1 million (43%), professional fees of $0.5 (10%) and salaries and wages of $1.6 million (33%). The majority of the operating costs incurred during the six months ended June 30, 2020 were marketing expenses of $2.7 million (59%), professional fees of $0.7 million (15%) and salaries and wages of $0.7 million (15%). Compared to the six months ended June 30, 2020, the increase in salaries and wages of $0.9 million (129%) was mainly related to the increase in the company's full-time employees in the sales and marketing operations.

As the Company pursued its growth strategy through mergers and acquisitions it incurred listing and regulatory filing fees of $0.2 million as well as legal expenses related to the acquisitions. The professional fees incurred during the six months ended June 30, 2020 was mainly related to the acquisition of PureKana.

Other income (expenses)

Followings are the breakdown of the major operating expenses in the presented period:

	For the three months ended				Change in	
	June 30, 2021		June 30, 2020			
*expressed in millions **	$	%	$	%	$	%
Finance costs	(1.0)	250%	-	0%	(1.0)	100%
Fair value adjustment of derivative liability	0.6	-150%	-	0%	0.6	100%
	(0.4)	**100%**	**-**	**0%**	**(0.4)**	**100%**

**Items in each presented period with a balance below $0.1M are either combined as "Other Items" or excluded from the table above.*
***Other items including items with a balance below $0.1M and rounding adjustment.*

	For the six months ended					
	June 30, 2021		June 30, 2020		Change in	
*expressed in millions **	$	%	$	%	$	%
Finance costs	(1.6)	400%	-	0%	(1.6)	100%
Fair value adjustment of derivative liability	1.1	-275%	-	0%	1.1	100%
Other items **	0.1	-25%	-	0%	0.1	100%
	(0.4)	**100%**	**-**	**0%**	**(0.4)**	**100%**

**Items in each presented period with a balance below $0.1M are either combined as "Other Items" or excluded from the table above.*
***Other items including items with a balance below $0.1M and rounding adjustment.*

Finance costs
Finance costs of $1.0 million in the second quarter of 2021 was mainly related to the accretion of interest regarding the convertible notes, lease obligation, loan payable, preferred shares, promissory notes and provision of earn-out payments. No such accretion of interest was recognized in the second quarter of 2020.

Finance costs of $1.6 million during the six months ended June 30, 2021 was mainly related to the accretion of interest regarding the convertible notes, lease obligation, loan payable, preferred shares, promissory notes and provision of earn-out payments. No such accretion of interest was recognized during the six months ended June 30, 2020.

Gain on remeasurement of derivative liability
The Company recognized a gain on remeasurement of derivative liability of $0.6 and $1.1 million in the second quarter of 2021 and in the six months ended June 30, 2021, respectively, pursuant to IFRS 9: *Financial Instruments*. The Company is required to remeasure the fair value of the derivative liability at each reporting period. Any changes in the derivative liability's fair value are recognized in the income statement as a gain or loss. The gain/loss on remeasurement of derivative liability is driven by different factors such as share price of the Company, risk-free interest rate and foreign exchange rate.

Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and Adjusted EBITDA (Non-GAAP Measures)

EBITDA and Adjusted EBITDA are non-GAAP measures used by management that are not defined by IFRS. EBITDA and Adjusted EBITDA do not have a standardized meaning prescribed by IFRS and therefore may not be Comparable to similar measures presented by other issuers. Management believes that EBITDA and Adjusted EBITDA provide meaningful and useful financial information as these measures demonstrate the operating performance of business excluding non-cash charges.

The most directly comparable measure to EBITDA and Adjusted EIBTDA calculated in accordance with IFRS is net loss. The following table presents the EBITDA and Adjusted EBITDA for the second quarter of 2021 and 2020 and the six months ended June 30, 2021 and 2020, and a reconciliation of same to net income (loss):

	For the three months ended		Change in	
	June 30, 2021	June 30, 2020		
*expressed in millions **	$	$	$	%
Net income (loss)	**(1.3)**	**0.3**	**(1.6)**	**-533%**
Add (less):				
Finance costs	1.0	-	1.0	100%
EBITDA	**(0.3)**	**0.3**	**(0.6)**	**-200%**
Add (less):				
Fair value adjustment of derivative liability	(0.6)	-	(0.6)	100%
Adjusted EBITDA	**(0.9)**	**0.3**	**(1.2)**	**-400%**

The Adjusted EBITDA loss for the second quarter is driven by the following factors: (1) operating loss of No BS Skincare subsidiary ($0.2 million). (2) Regulatory, listing fees and legal fees related to business acquisitions ($0.2 million), and (3) Operating Loss at Purekana ($0.5 million). Of the $0.5 million operating loss at Purekana, $0.1 million was due to one-time salary related costs.

	For the six months ended		Change in	
	June 30, 2021	June 30, 2020		
*expressed in millions **	$	$	$	%
Net income (loss)	**(1.9)**	**0.5**	**(2.4)**	**-480%**
Add (less):				
Finance costs	1.6	-	1.6	100%
EBITDA	**(0.3)**	**0.5**	**(0.8)**	**-160%**
Add (less):				
Fair value adjustment of derivative liability	(1.1)	-	(1.1)	100%
Adjusted EBITDA	**(1.4)**	**0.5**	**(1.9)**	**-380%**

The Adjusted EBITDA loss during the six months ended June 30, 2021 by the following factors: (1) operating loss of No BS Skincare subsidiary ($0.3 million). (2) Regulatory, listing fees and legal fees related to business acquisitions ($0.2 million), and (3) Operating Loss at Purekana ($0.9 million). Of the $0.9 million operating loss at Purekana, $0.1 million was due to higher fulfillment and delivery costs in the first quarter which have subsequently being reduced in the second quarter and $0.1 million in one-time salary related costs.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
expressed in millions except for earnings (loss) per share	June 30, 2021 $	March 31, 2021 $	December 31, 2020 $	September 30, 2020 $
Revenue	3.1	2.5	3.1	2.9
Gross profit	1.8	1.5	2.1	1.8
Net income (loss)	(1.3)	(0.6)	(2.4)	(0.1)
Earnings (loss) per share				
- Basic	(0.1)	(0.0)	(3.3)	(0.8)
- Diluted	(0.1)	(0.0)	(3.3)	(0.8)

	Three months ended			
expressed in millions except for earnings (loss) per share	June 30, 2020 $	March 31, 2020 $	December 31, 2019 $	September 30, 2019 $
Revenue	4.0	3.8	4.8	6.0
Gross profit	2.6	2.5	2.9	4.1
Net income (loss)	0.3	0.2	0.9	1.4
Earnings (loss) per share				
- Basic	2.4	1.6	2.7	3.6
- Diluted	2.4	1.6	2.7	3.6

The growth in revenue in the third quarter of 2019 was mainly due to the increase in consumer demand for CBD products and the Company's proprietary direct marketing strategies, and PureKana's brand recognition by consumers. The decrease in revenue from the fourth quarter of 2019 to the second quarter of 2021 was mainly due to the increase in competition of online CBD sales as well as the negative impact of the Covid 19 health crisis that negatively impacted offline sales as retailers were closed for a good portion of 2020 and reluctant to add new vendors to their existing CBD product SKU's. The Company has been able to maintain healthy gross margins during the eight quarters as it has one of the premium brands available in the US CBD marketplace. In those presented quarters (except for the second quarter and first quarter of 2021, fourth quarter and third quarter of 2020), the Company has achieved positive net income. The net loss incurred for the second quarter and first quarter of 2021 was mainly due to the decrease in revenue and the increase in salaries and wages. The net loss incurred for the fourth quarter and third quarter of 2020 was mainly due to the listing expenses related to the Transaction. In the fourth quarter of 2020, the Company recognized a loss on remeasurement of derivative liability.

LIQUIDITY AND CAPITAL RESOURCES

As at	June 30, 2021	December 31, 2020
*expressed in millions **	**$**	**$**
ASSETS		
Current assets		
Cash	5.0	8.3
Accounts receivable	0.4	0.2
Other receivable	0.3	-
Loan receivable	0.4	0.4
Prepaid expenses	1.3	1.9
Inventory	1.5	0.8
Other items **	(0.1)	0.1
Total current assets	**8.8**	**11.7**
Non-current assets	**12.4**	**0.4**
TOTAL ASSETS	**21.2**	**12.1**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	(0.7)	(0.7)
Current portion of derivative liability	(0.4)	-
Current portion of lease obligation	(0.1)	(0.1)
Current portion of promissory note	(7.3)	(3.7)
Current portion of provision of earn-out payments	(0.9)	-
Other items **	-	-
Total current liabilities	**(9.4)**	**(4.5)**
Long term liabilities	**(25.1)**	**(21.3)**
TOTAL LIABILITIES	**(34.5)**	**(25.8)**
WORKING CAPITAL	**(0.6)**	**7.2**

**Items in each presented period with a balance below $0.1M are either combined as "Other Items" or excluded from the table above.*
***Other items including items with a balance below $0.1M and rounding adjustment.*

The Company's primary liquidity and capital requirements are for inventory and general corporate working capital purposes. The Company currently has a cash balance of $5.0 million as of June 30, 2021 coupled with cash flows from operations, will provide capital to support the planned growth of the business and for general corporate working capital purposes. The Company's working capital decreased from 7.2 million as of December 31, 2020 to working capital deficiency of $0.6 as of June 30, 2021. The Company continues to focus on improving its working capital position through a number of initiatives including better payment terms with key vendors, taking advantage of early payment options with its offline customers and negotiating lower costs with its key vendors.

The Company's working capital requirements fluctuate from period to period depending on, among other factors, key consumer holidays (second and fourth quarter each year), new product introductions and vendor lead times. The Company's principal working capital needs include accounts receivable, inventory, prepaid expenses, and accounts payable.

PureKana is subject to externally imposed capital requirements in connection with its Loan. The Loan contains a financial covenant for the debt service coverage ratio (the "Debt Service Coverage Ratio") of Purekana LLC at the end of each calendar year during the term of the loan should not be less than 1.2. Pursuant to the Loan, the Debt

Service Coverage Ratio is defined as the quotient of the Company's EBITDA for each annual reporting period divided by a ten-year amortization of the Loan Amount which is the sum of the interest expense for the reporting period and the scheduled principal payments made with respect to the Loan Amount for the reporting period. The Adjusted EBITDA is defined as the unadjusted EBITDA adjusted for any non-recurring, one-time, or irregular items. The Company was in compliance with these capital requirements as at December 31, 2020.

The Company's ability to fund operating expenses will depend on its future operating performance which will be affected by general economic, financial, regulatory, and other factors including factors beyond the Company's control (See "Risk and Uncertainties").

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of amounts receivable, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities (iii) financing activities.

Cash flow

	For the three months ended		
	June 30, 2021	June 30, 2020	Change
*expressed in millions **	$	$	$
Cash flow from operating activities	(2.0)	0.4	(2.4)
Cash flow from (used in) financing activities	0.6	0.1	0.5
Increase (decrease) in cash	**(1.4)**	**0.5**	**(1.9)**

	For the six months ended		
	June 30, 2021	June 30, 2020	Change
*expressed in millions **	$	$	$
Cash flow from (used in) operating activities	(2.9)	1.1	(4.0)
Cash flow used investing activities	(0.9)	-	(0.9)
Cash flow from (used in) financing activities	0.5	(0.6)	1.1
Increase (decrease) in cash	**(3.3)**	**0.5**	**(3.8)**

**Items in each presented period with a balance below $0.1M is presented as $nil.*

Cash flow from (used in) operating activities
Following is the breakdown of the cash flow from operating activities:

	For the three months ended		
	June 30, 2021	June 30, 2020	Change
*expressed in millions **	$	$	$
Net income (loss) for the period	(1.3)	0.3	(1.6)
Adjustments for items not affecting cash	0.4	-	0.4
Change in non-cash working capital	(1.0)	0.1	(1.1)
	(2.0)	**0.4**	**(2.3)**

**Items in each presented period with a balance below $0.1M is presented as $nil.*

Cash used in operating activities was $2.0 million in the second quarter of 2021, compared to cash flow generated from operating activities of $0.4 million in the second quarter of 2020. This increase of $2.3 million was the result of 1) a decrease in cash generated in operating activities before the impact of non-cash working capital of $0.9 million during the second quarter of 2021 compared to $0.3 million generated in the prior period and (2) an increase in cash used by non-cash working capital of $1.0 million in the second quarter of 2021 compared to $0.1 million generated in the second quarter of 2020.

	For the six months ended		
	June 30, 2021	**June 30, 2020**	**Change**
*expressed in millions **	**$**	**$**	**$**
Net income (loss) for the period	(1.9)	0.5	(2.4)
Adjustments for items not affecting cash	0.4	-	0.4
Change in non-cash working capital	(1.4)	0.6	(2.0)
	(2.9)	**1.1**	**(4.0)**

**Items in each presented period with a balance below $0.1M is presented as $nil.*

Cash used in operating activities was $2.9 million during the six months ended June 30, 2021, compared to cash flow generated from operating activities of $1.1 million during the six months ended June 30, 2020. This increase of $4 million was the result of 1) a decrease in cash generated in operating activities before the impact of non-cash working capital of $1.5 million compared to the prior period where cash generated in operating activities before the impact of non-cash working capital was $0.5 million and (2) an increase in cash used by non-cash working capital of $1.4 million during the six months ended June 30, 2021 compared to the prior period where $0.6 million of cash was generated from non-cash working capital.

Cash flow from (used in) investing activities
The cash flow of $1 million used in investing activities in the second quarter of 2021 and the six months ended June 30, 2021 was related to the acquisition of No B.S. Skincare. No cash used in / from the investing activities in the second quarter of 2020 and the six months ended June 30, 2020.

Cash flow from (used in) financing activities
The cash flow of $0.5 million from financing activities in the second quarter of 2021 was mainly related to the proceeds on issuance of promissory notes with an amount of $0.63 million.

The cash flow of $0.5 million from financing activities in the second quarter of 2021 was mainly related to the proceeds on issuance of promissory notes with an amount of $0.63 million. In connection with the Acquisition of No B.S. and the Acquisition of Nirvana, the Company paid $0.17 million debt issuance costs.

OUTSTANDING SHARE DATA

As at June 30, 2021, the Company had 21,496,896 common shares (December 31, 2020 – 21,016,875) common shares issued and outstanding.

During the six months ended June 30, 2021
- 5,160,469 common shares released from escrow
- 22,500 warrants were exercised for cash proceeds of $23,636 (CA$30,000).
- issued 457,521 common shares for conversion of the convertible notes.

Subsequent to June 30, 2021

- The Company granted 1,351,030 options with an exercise price of $5.70 to its officers, employees and consultants. The options are exercisable for a period of five years.
- The Company issued 904,100 RSUs to its directors, employees and consultants.
- The Company issued 491,000 common shares for the RSUs.
- 1,561,407 common shares were issued in connection with the acquisition of Tru Brands.

As at the date of this MD&A, the Company had 23,530,403 common shares issued and outstanding.

In addition, as at the date of this MD&A, the Company had 1,351,030 stock options and 413,100 RSUs issued and outstanding.

SUBSEQUENT EVENTS

- On July 27, 2021, the Company granted 1,351,030 options with an exercise price of $5.70 to its officers, employees and consultants. The options are exercisable for a period of five years.
- On July 27, 2021, the Company issued 904,100 RSUs to its directors, employees and consultants.
- On August 17 2021, the Company completed the Acquisition of Tru Brands.
- On August 20, 2021, the Company entered into the CMG Term Sheet with CMG.
- The Company issued 491,000 common shares for the RSUs.
- 1,561,407 common shares were issued in connection with the acquisition of Tru Brands.
- The Company repaid $500,000 including interest of the promissory note issued in connect with the Acquisition of No B.S.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2021 and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Following is the related person or entities of the Company:

- Kathy Casey — Chief Executive Officer
- Brian Meadows — Chief Financial Officer and Corporate Secretary
- Jeff Yauck — Director
- Cody Alt — Director
- Michael Galloro — Director
- Paul Norman — Director

(Expressed in United States Dollars unless otherwise specified)

Key management compensation, including benefits, for the six months ended June 30, 2021 was $441,358 (June 30, 2020 – $139,756).

During the six months June 30, 2021, the Board approved a performance bonus of $128,625 to be paid to the Company's Chief Financial Officer. The amount was paid during the six months June 30, 2021.

Subsequent to June 30, 2021:

- On July 27, 2021, the Company granted 932,030 options with an exercise price of $5.70 to its officers. The options are exercisable for a period of five years.

- On July 27, 2021, the Company issued 345,000 RSUs to its directors.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Refer to note 2 of our annual audited consolidated financial statements for the year ended December 31, 2020 for a more detailed discussion of the critical accounting estimates and judgments.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no new or amended IFRS pronouncements effective January 1, 2021 that impacted these consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Fair value

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

As of June 30, 2021

	June 30, 2021	FVTPL $	Amortized costs $	FVTOCI $
Financial assets:				
ASSETS				
Cash	4,982,425	-	4,982,425	-
Accounts receivable	354,062	-	354,062	-
Other receivable	349,198	-	349,198	-
Loan receivable	389,918	-	389,918	-
Prepaid expenses	1,313,681	-	1,313,681	-
Restricted cash	325,000	-	325,000	-
Security deposits	10,050	-	10,050	-

(Expressed in United States Dollars unless otherwise specified)

As of June 30, 2021

Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	696,811	-	696,811	-
Current portion of derivative liability	405,213	405,213	-	-
Current portion of lease obligation	59,594	-	59,594	-
Current portion of promissory note	7,338,600	-	7,338,600	-
Current portion of provision of earn-out payments	917,737	-	917,737	-
Convertible notes	1,688,679	-	1,688,679	-
Convertible preferred shares	3,613,280	-	3,613,280	-
Derivative liability	7,636,139	7,636,139	-	-
Government loan	152,795	-	152,795	-
Lease obligation	844	-	844	-
Loan payable	9,908,208	-	9,908,208	-
Promissory note	638,536	-	638,536	-
Provision of earn-out payments	1,430,612	-	1,430,612	-

As of December 31, 2020

	December 31, 2020	FVTPL $	Amortized costs $	FVTOCI $
Financial assets:				
ASSETS				
Cash	8,308,475	-	8,308,475	-
Accounts receivable	244,419	-	244,419	-
Other receivable	49,762	-	49,762	-
Loan receivable	367,772	-	367,772	-
Prepaid expenses	1,872,948	-	1,872,948	-
Restricted cash	325,000	-	325,000	-
Security deposits	10,050	-	10,050	-

Financial liabilities:				
LIABILITIES				
Accounts payable and accrued liabilities	704,778	-	704,778	-
Current portion of lease obligation	50,855	-	50,855	-
Current portion of promissory note	3,687,501	-	3,687,501	-
Convertible preferred shares	3,132,461	-	3,132,461	-
Derivative liability	5,469,209	5,469,209	-	-
Lease obligation	33,756	-	33,756	-
Loan payable	9,726,972	-	9,726,972	-
Promissory note	2,952,951	-	2,952,951	-

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.
Level 3 – Unobservable (supported by little or no market activity) prices.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets and liabilities at fair value through profit or loss as of June 30, 2021 and December 31, 2020 are shown below:

		Estimated fair value		
	June 30, 2021	**Level 1 $**	**Level 2 $**	**Level 3 $**
Current portion of derivative liability	(405,213)	-	-	(405,213)
Derivative liability	(7,636,139)	-	-	(7,636,139)

		Estimated fair value		
	December 31, 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**
Derivative liability	(5,469,209)	-	-	(5,469,209)

The financial instrument recorded at fair value on the statement of financial position is derivative liability which is measured using Level 3 of the fair value hierarchy. Level 3 inputs for other derivative liability include the use of the Black-Scholes option pricing model. Estimates are made regarding (i) the discount rate used, (ii) the expected life of the instruments, (iii) the volatility of the Company's common shares price which are driven by historical information and the expected dividend yield. Refer to Note 11 for further disclosures.

As of June 30, 2021 and December 31, 2020, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1 and Level 2 in the fair value hierarchy above.

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of being affected by these risks. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. When material, these risks are also reviewed and monitored by the Board of Directors.

Market risk

- Foreign currency risk

  The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US$. The Company has not entered into any foreign currency contracts to mitigate this risk. The risk is measured using sensitivity analysis and cash flow forecasting.

  As of June 30, 2021, the majority of the Company's monetary assets and liabilities are denominated in US$; as a result, management believes the currency risk is minimal.

The Company's derivative liability may expose to the currency risk as the Company's share is trading in CA$. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% appreciation or depreciation of the US$ against CA$ would provide insignificant impacts on the fair value of the derivative liability.

- Price risk
  The Company's derivative liability may be exposed to the price risk as the share price of the Company is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 10% increase (decrease) in the share price of the Company as of June 30, 2021, the fair value of the derivative liability will be increased (decreased) by appropriately $300,000.

- Interest rate risk
  The Company's interest rate risk principally arises from fluctuations in the US$ LIBOR rate as it relates to the Company's loan payable. A 1% change in the US$ LIBOR rate would result in approximately a $100,000 impact on the Company's profit or loss for the six months ended June 30, 2021. The Company has not entered into any interest rate swaps to mitigate this risk.

  The Company's derivative liability may expose to the interest as the risk-free interest rate is one of the inputs of valuation. Based on the sensitivity analysis, assuming that all other variables remain constant, a 1% increase (decrease) in the risk-free interest rate, the fair value of the derivative liability will be increased (decreased) by appropriately $27,000.

Credit risk

Credit risk is the risk of loss associated with a customer's or counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has, and intends, to adhere strictly to the state statutes and regulations in its operations.

The Company believes that the credit risk of accounts receivable is limited as the majority of the accounts receivable as of June 30, 2021 are current and collected subsequent to June 30, 2021.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. As of June 30, 2021, the Company had cash of $4,982,425 to meet short-term business requirements. As of June 30, 2021, the Company had current liabilities of $9,429,915. The Company believes that the liquidity risk is low as the Company has sufficient working capital to support the operation in the next twelve months.

RISKS AND UNCERTAINTIES

To the date of this MD&A, there have been no significant changes to the risk factors set out in the Company's annual management discussion and analysis for the year ended December 31, 2020.