IGNITE INTERNATIONAL BRANDS, LTD.

Management's Discussion and Analysis
For the Three and
Six Month Periods Ended
June 30, 2019

This Management's Discussion and Analysis ("MD&A"), prepared as at August 28, 2019, reviews the financial condition and results of operations of Ignite International Brands, Ltd. (the "Company" or "Ignite") for the three and six month periods ended June 30, 2019 and all other material events up to the date of this report. The following discussion should be read in conjunction with the Company's unaudited consolidated interim financial statements and related notes for the three and six month periods ended June 30, 2019, as well as the Company's audited financial statements and related notes for the year ended December 31, 2018, which can be found under the Company's profile on SEDAR at www.sedar.com.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). All dollar amounts are in Canadian dollars, unless otherwise noted.

The Company's certifying officers are responsible for ensuring that the unaudited interim consolidated financial statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading considering the circumstances under which it was made. The Company's officers certify that the unaudited interim consolidated financial statements and MD&A fairly present, in all material respects, the financial condition, results of operations and cash flows, of the Company as the date hereof.

OVERVIEW OF BUSINESS AND RECENT HIGHLIGHTS

Ignite is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "BILZ".

The Company's head office is located at 11 Cidermill Avenue, Vaughan, Ontario, Canada L4K 4B6 and its registered office is located at 1055 West Georgia Street, 1500 Royal Centre, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The Company is a consumer goods company, leveraging the Ignite brand and multiple product platforms in the cannabidiol ("CBD") and cannabis sectors. Ignite is in the process of expanding its business operations which currently includes branding, marketing, licensing, sales and distribution, across the United States, Canada, Mexico and other international jurisdictions such as the United Kingdom. The Company intends to affect its growth through brand leveraging, product development, targeted marketing and strategic supply chain partnerships in each of the target jurisdictions.

On March 1, 2019, the Company announced that it had entered into a letter agreement dated February 28, 2019 (the "Letter Agreement") with Ignite International, Ltd. ("Ignite US") pursuant to which the Company would acquire all the shares of Ignite US ("the Transaction"). The Transaction constituted a change in business and a reverse take-over ("RTO") under the rules of the CSE. The Company's shares were halted from trading on the CSE until adequate filings were made with the CSE and the Transaction was completed.

On April 11, 2019, the Company announced that it had entered into a definitive business combination agreement with respect to the Transaction (the "Definitive Agreement") and that the Transaction was expected to be completed by way of a plan of arrangement under the *Business Corporations Act* (British Columbia).

On May 7, 2019, the Company announced that it had signed definitive agreements for the manufacture and distribution of CBD products in the United Kingdom with Taylor Mammon & Nathan Limited ("Taylor Mammon"), a leading manufacturer and distributor of white label CBD solutions, based in the United Kingdom. The agreements also include the option for the Company to expand into other strategic European markets. Under the agreements, Taylor Mammon will, under an exclusive Ignite license in the United Kingdom, manufacture, package and distribute a wide array of premium Ignite branded CBD products to select wholesale and retail channels. The Company and Taylor Mammon are jointly developing a comprehensive marketing program that will support the launch of Ignite branded products. Commercial activation of the markets serviced by Ignite and Taylor Mammon under these agreements is expected to o

On May 24, 2019, the Company announced that 1203238 B.C. Ltd. had completed a non-brokered offering (the "Offering") of 17,200,000 subscription receipts ("the Subscription Receipts") at a price of $1.50 per Subscription Receipt for gross proceeds of $25,800,000 (the "Offering Proceeds"). The Offering was completed in conjunction with the Transaction and the Offering Proceeds were held in escrow to be released upon satisfaction of certain escrow release conditions, which conditions were met on May 30, 2019. Upon satisfaction of the escrow release conditions, each Subscription Receipt automatically converted into one common share of 1203238 B.C. Ltd. which then immediately converted into one subordinate voting share of the Company.

On May 30, 2019, the Company announced the completion of the Transaction. The Company continued to operate under the name "Ignite International Brands, Ltd." with its subordinate voting shares listed for trading on the CSE under the ticker symbol "BILZ".

REVERSE TAKE-OVER TRANSACTION ACCOUNTING

The Company entered into the Letter Agreement on February 28, 2019 and the Definitive Agreement on April 11, 2019 with respect to the Transaction. The Transaction constituted a change of business and a reverse take-over ("RTO") under the rules of the CSE whereby the Company would acquire all the issued and outstanding common shares of Ignite US in exchange for securities of the Company. The Company's common shares were subsequently halted from trading until the Company made adequate filings with the CSE regarding the change of business and completion of the Transaction. Pursuant to the terms of the Definitive Agreement, the Company created a new class of proportionate voting shares (the "Proportionate Voting Shares") and renamed its common shares as subordinate voting shares (the "Subordinate Voting Shares"). The Transaction was completed on May 30, 2019 and the Subordinate Voting Shares resumed trading on June 4, 2019.

The Proportionate Voting Shares and Subordinate Voting Shares have the same rights, be equal in all respects and are treated by the Company as if they were shares of one class only. Proportionate Voting Shares will at any time, at the option of the holder, and subject to certain conversion conditions to ensure that the Company remains a "foreign private issuer" (as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act of 1933 (the "SEC Rules")), be convertible into Subordinate Voting Shares at a ratio of 200 Subordinate Voting Shares for each Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share will carry 200 votes per share (compared to one vote per Subordinate Voting Share).

The Definitive Agreement provided that the Company acquire all the Ignite US shares it did not already hold in exchange for 756,257 Proportionate Voting Shares and 67,681,000 Subordinate Voting Shares, which would result in Ignite US becoming a wholly owned subsidiary of the Company. As a result, approximately 91.4% of the equity securities of the Company were issued to Ignite US shareholders pursuant to the Transaction and, following the Transaction, the existing Ignite US shareholders held approximately 95.6% of the equity securities of the Company (assuming in each case the conversion of all Proportionate Voting Shares into Subordinate Voting Shares).

The Company has accounted for the Transaction as a business combination under the scope of IFRS 3, Business Combination. The consideration consisted entirely of shares of the Company which were measured at the fair value of the shares that the Company would have been required to issue to Ignite US shareholders had the Transaction been structured as a legal acquisition of Ignite US by the Company.

Further details on the Transaction can be found in the notes to the Company's listing statement dated May 30, 2019, which can be found under the Company's SEDAR profile at www.sedar.com.

INVESTMENTS

Salvation Botanicals Ltd.

Salvation Botanicals Ltd. ("Salvation") is a private company based in Nanaimo, British Columbia, able to produce high-quality standardized cannabinoid products. Salvation also operates one of the first analytics laboratories in Canada, accredited by Health Canada to test cannabis and cannabis derivatives for licensed producers of medical cannabis, Access to Cannabis for Medical Purposes Regulations ("ACMPR") growers, approved cannabis patients, industrial hemp producers and any other party legally entitled to possess cannabis.

The Company's investment is comprised of an aggregate of 3,000,000 units (the "Units") of Salvation at a price of $0.50 per Unit for a total cost of $1,500,000. Each Unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half of a share of Salvation at a price of CDN$0.75 for a term of eighteen months.

In determining the fair value of this investment, Salvation's recent equity financing offering of $0.50 price-per-unit supports the fair value recognized by the Company.

Tahoe Hydroponics Company LLC

On August 23, 2017, the Company entered into a letter of agreement (the "Letter") with Tahoe Hydroponics Company LLC ("Tahoe"), a US based cannabis company based in Carson City, Nevada. The terms of the Letter required the Company to loan an aggregate of USD$3,000,000 to Tahoe prior to October 15, 2017 allowing the Company to then acquire 30% of the outstanding shares of Tahoe.

On April 24, 2018, the parties determined that due to the stage of Tahoe's development and their respective growth objectives, the Company's optimal investment in Tahoe would be more appropriately structured as a simple unsecured debt obligation. Accordingly, the parties mutually agreed to terminate the Letter on May 15, 2018 and replaced it with a promissory note evidencing the advances made to this date of US$1.35 million from the Company to Tahoe with a 6% annual interest rate (the "Tahoe Note"). Terms of the Tahoe Note require Tahoe to make equal monthly installment payments of principal and interest of US$78,623. The Tahoe Note matures on December 31, 2019.

As at June 30, 2019, $916,890 remained outstanding from the Tahoe Note and $10,607 in accrued interest.

The Company does not intend to extend or amend the due date of the Tahoe Note and as such, expects full repayment of any outstanding balance of the Tahoe Note, including accrued interest receivable, by December 31, 2019.

RESULTS OF OPERATIONS

Loss for the period

The Company reported net and comprehensive losses of $(10,685,593) and $(21,854,640) for the three- and six-month periods ended June 30, 2019 compared to losses of $90,149 and $832,195 for the three- and six-month periods ended June 30, 2018.

REVENUES AND GROSS PROFIT

Revenues for the three- and six-month periods ended June 30, 2019 totaled $2,074,819 and $3,597,817 compared to revenues of $169 and $167 for the three- and six-month periods ended June 30, 2018. Most of the revenues earned during the periods were derived from ecommerce sales of Ignite branded CBD products sold exclusively in the United States.

Gross profit on revenues for the three- and six-month periods ended June 30, 2019 totaled $803,276 and $1,369,627. The majority of gross profits earned during the periods were derived from ecommerce sales of Ignite branded CBD products sold exclusively in the United States.

OPERATING EXPENSES

General and administrative costs were $4,079,823 and $8,362,629 for the three- and six-month periods ended June 30, 2019 compared to costs of $814,451 and $1,787,362 for the three- and six-month periods ended June 30, 2018.

- Payroll related costs were $5,061,794 and $287,570 for the six-month periods ended June 30, 2019 and 2018 respectively. The increase can be attributed to the growth of the Company as it filled the various management and administrative positions to begin developing, marketing and distributing the Ignite product line.

- Office expenses were $412,844 for the six-month period ended June 30, 2019 compared to $50,185 for the six-month period ended June 30, 2018. The additional costs are a direct result of the increased staffing levels requiring additional office space and incurring other associated office costs.
- The Company incurred consulting fees of $416,897 and $1,102,277 for the three- and six-month periods ended June 30, 2019 compared to $424,556 and $778,949 for the three- and six-month periods ended June 30, 2018. The general increase can be attributed to costs associated with the Company ensuring regulatory compliance in the various jurisdictions abroad and general consultative services in managing the Company's operations.
- Total professional fees were $376,816 for the six-month period ended June 30, 2019 compared to $205,832 for the six-month period ended June 30, 2018. The increase in costs can be attributed to legal and accounting costs associated with the Transaction in addition to costs associated with the Company's expansion in the United States, the United Kingdom and Mexico, meeting various CSE reporting requirements and legal costs associated with the review of various partnership agreements with various suppliers.
- Insurance costs were $196,221 and $17,988 for the six-month period ending June 30, 2019 and 2018 respectively. The general increase can be attributed to the additional liability coverage with the expanded operations.
- Travel costs were $245,728 and $834,843 for the three- and six-month periods ended June 30, 2019 compared to $235,224 and $439,958 for the three- and six-month periods ended June 30, 2018. The overall increase in travel costs is largely due to various due diligence activities in assessing potential markets abroad, promotional activities to create awareness of the Company's brand and attending various trade shows to advertise the Ignite products.

During the six-month periods ended June 30, 2019 and 2018, the Company recorded share-based payments of $49,228 and $nil respectively. The Company had granted stock options to certain directors, officers and employees of the Company vesting equally over a three-year period.

Marketing costs were $12,032,498 and $1,110,268 for the six-month periods ended June 30, 2019 and 2018 respectively. These costs are generally related to the direct promotion of the Company and its brand. Various marketing and promotional activities were initiated to launch the Company's product in the United States and abroad. The Company will continue to market and promote the Ignite brand to create product awareness.

During the six-month period ended June 30, 2019, the Company incurred listing expenses totalling $430,000 in relation to its RTO application in connection with the Transaction. These costs are one-time charges associated with the Transaction.

The Company incurred interest costs of $441,486 and $70,546 for the six-month periods ended June 30, 2019 and 2018 respectively. The increase can be attributed to the Company securing financing to meet its working capital needs prior to the Transaction.

Total assets

Total assets of the Company were $65,267,533 as at June 30, 2019 compared to assets of $22,529,226 as at December 31, 2018.

The increase in assets can be largely attributed to (1) the additional assets acquired with the acquisition of Ignite US, (2) the issuance of 17,200,000 Subordinate Voting Shares for gross proceeds of $25,800,000, (3) investments in inventory tied to the commercial activation of the newly formed joint operation in the United States, and (4) advance payments, recorded as prepaids, associated with the commercial activation of the newly formed joint operation and Ignite's stand-alone operation in the United Kingdom.

Total liabilities

Total current and long-term liabilities of the Company were $16,731,301 as at June 30, 2019 compared to $9,458,810 as at December 31, 2018. The increase can be attributed to the additional liabilities recognized with the acquisition of Ignite US and the startup of commercial activities in the United States and the United Kingdom.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

Quarter Ended	Revenues	Cost of goods sold	Gross profit	Net income (loss)	Net income (loss) per share [(1)]
June 30, 2019	$ 2,074,819	$ 1,271,543	$ 803,276	$ (10,849,606)	(0.10)
March 31, 2019	1,522,998	956,647	566,351	(11,288,673)	(0.11)
December 31, 2018	1,901,128	1,401,143	499,985	(8,297,357)	(0.04)
September 30, 2018	532,219	330,289	201,930	(6,778,314)	(0.07)
June 30, 2018	233	-	(233)	(1,510,416)	(0.10)
March 31, 2018	-	-	-	(557,801)	(0.00)
December 31, 2017[(2)]	-	-	-	-	-

[(1)] Fully diluted loss per share amounts are not shown as they would be anti-dilutive.
[(2)] Ignite US was incorporated on December 28, 2017.

The Company has incurred significant operating costs relating to the start-up of its operations over the last eight quarters including larger scale expenses related to brand awareness initiatives. The Company has generated revenues from sales of its Ignite branded products and will continue to diligently invest in marketing initiatives which may negatively impact its profitability in the short term as sales across its diverse markets continue to grow.

LIQUIDITY AND CAPITAL RESOURCES

During the six-month period ended June 30, 2019, the Company did not generate any cash flow from operations.

The Company's financial success is reliant on management's ability to identify and evaluate opportunities to expand its business operations which currently includes branding, marketing, licensing, sales and distribution across the United States, Canada, Mexico and other international jurisdictions such as the United Kingdom, and leverage multiple product platforms. The Company intends to affect this expansion through brand leveraging, product development, targeted marketing and strategic supply chain partnerships in each of the target jurisdictions.

In order to finance these initiatives including its working capital needs, the Company will be dependent on investor sentiment remaining positive towards the cannabis sector, and towards Ignite in particular, so that funds can be raised through the sale of the Company’s securities or alternative forms of investment including debt. Many factors have an influence on investor sentiment, including a positive investor climate to support new investment companies in the cannabis sector, a company’s past financial performance and the experience and caliber of a company’s management. There is no certainty that funding will be available at the times and in the amounts required to fund the Company’s activities. Note 1 of the Company’s December 31, 2018 audited financial statements further discusses the going concern of the Company. The Company’s financial statements do not include any adjustments that might result from these uncertainties.

The Company’s consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations is dependent on its ability to raise financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital and access to funding as at June 30, 2019 to continue current operations for the next twelve months.

The Company anticipates it may need to finance its activities through equity or debt financings, or a combination of both, until significant revenues can be generated from operations. It is anticipated that, as general sentiment towards companies in the cannabidiol (“CBD”) or cannabis sector remains positive, the Company can raise any necessary financing to secure and finance additional investments and opportunities that are accretive to shareholder value.

The Company’s working capital as at June 30, 2019 was $17,507,101 compared to $5,559,331 as at December 31, 2018. The Company has no commitments for capital expenditures as of the June 30, 2019 reporting date.

Premise lease

The Company has the following future commitments associated with its lease obligations:

	June 30, 2019	December 31, 2018
Cost	**$**	**$**
Within the next 12 months	2,861,529	-
Between 1 - 2 years	2,821,521	-
Between 2 - 3 years	45,872	-
Between 3 - 4 years	55,979	-
Between 4 - 5 years	61,367	-
After 5 years	27,229	-
	5,873,498	-

Notice of Claim

The Company was served with a Notice of Claim dated November 28, 2018 which has been filed in the Supreme Court of British Columbia naming the Company as one of three defendants. The Notice of Claim alleges a finder's fee of $120,000 is due to the claimant for work in a previous completed private placement.

The Company believes the lawsuit is without merit and has filed a response accordingly. No provision has been made by the Company with regards to the Notice of Claim.

Option to Purchase

On May 27, 2018, the Company entered into a three-year option agreement with 10979 Chalon, LLC, a California based company, to purchase a property in California. Terms of the option agreement, expiring June 1, 2021, allows the Company to acquire the property at varying purchase prices based on the timing the option is exercised. The options to purchase are as follows:

Option Exercise Date	Exercise Price (USD)	Current Rate	Exercise Price (CAD)
May 31, 2019	60,000,000	1.3087	78,522,000
May 31, 2020	62,500,000	1.3087	81,793,750
May 31,2021	65,000,000	1.3087	85,065,500

Cash and Financial Conditions

The Company had a cash balance of $22,330,716 as at June 30, 2019 as compared to a cash balance of $13,277,576 as at December 31, 2018.

The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements.

The Company does not use hedges or other financial derivatives.

Financing Activities

During the six-month period ended June 30, 2019, the Company issued 17,200,000 Subordinate Voting Shares at $1.50 per share for gross proceeds of $25,800,000. The Company had incurred $36,122 in cash costs in connection with the placement.

On January 31, 2019, Ignite US entered into a US$15,000,000 promissory note with a US company controlled by a director of the Company. The note proceeds were advanced in their entirety serving as a line of credit for the Company for additional working capital as needed leading up to the closing date of the Transaction. The note was unsecured, carried an interest rate of 5% per annum, and matured January 30, 2020 with all principal and accrued interest due at that time. As at June 30, 2019, the entire amount of the note, US$15,000,000, in addition to accrued interest owing to the date of repayment totaling US$300,000, had been repaid.

Investing Activities

As a result of the acquisition of Ignite US, the Company acquired cash and cash equivalents totalling $4,333,447 as a result of the Transaction.

SECURITIES OUTSTANDING

Shares

As at June 30, 2019 and the date of this MD&A, the Company had 105,598,091 Subordinate Voting Shares and 756,257 Proportionate Voting Shares issued and outstanding.

Options

As at June 30, 2019 and the date of this MD&A, the Company had 1,200,000 stock options outstanding.

Warrants

As at June 30, 2019 and the date of this MD&A, the Company had 119,721 warrants with an exercise price of $2.15 outstanding.

OUTLOOK

The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity or debt financing or through the sale of its investments at amounts favorable to the Company. Management estimates there is sufficient working capital and access to funding as at June 30, 2019 to continue current operations for the next twelve months.

The Company will be largely dependent upon external financings to fund activities until such time it is able to generate sufficient cash flows from operations. Management and the board of directors of the Company continuously review and examine business proposals for the Company and conduct their due diligence in respect of the same. The Company will continue to seek new investments if it feels there are sufficient opportunities to increase shareholder value and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel

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

	3 months ended June 30, 2019	**3 months ended June 30, 2018**	**6 months ended June 30, 2019**	**6 months ended June 30, 2018**
	$	$	**$**	$
Management salaries, bonuses and other benefits	209,989	237,024	376,093	237,024
Share-based payment – management(i)	39,094	-	39,094	-
Share-based payments – directors(ii)	2,172	-	2,172	-
Total	**251,255**	**237,024**	**417,359**	**237,024**

As of June 30, 2019, $237,636 (December 31, 2018; $4,908) was due from a company controlled by the Chief Executive Officer ("CEO") and Chairman of the Company. These expenses are for marketing related costs related to the business of the Company.

As of June 30, 2019, $927,993 (December 31, 2018; $1,672,023) was due to the CEO and Chairman of the Company and the CEO's related companies for expenses incurred on behalf of the Company. These expenses related to travel, payroll expenses and facilities expenses.

Other related party transactions

On June 5, 2018, the Company received a secured promissory note from an entity controlled by the CEO and Chairman of the Company, for the purchase of a property in Nevada, which the Company subsequently leased over a two-year lease term. The note had a principal balance of USD$8,514,340, bore annual interest of 5% and was due on demand. The note was settled by a stock repurchase transaction in November 2018. The Company terminated the lease with the above-named entity effective April 30, 2019.

On January 31, 2019, Ignite US entered into a US$15,000,000 promissory note with a US company controlled by a director of the Company. The note proceeds were advanced in their entirety serving as a line of credit for the Company for additional working capital as needed leading up to the closing date of the Transaction. The note was unsecured, carried an interest rate of 5% per annum, and matured January 30, 2020 with all principal and accrued interest due at that time. As at June 30, 2019, the entire amount of the note, US$15,000,000, in addition to accrued interest owing to the date of repayment totaling US$300,000, had been repaid.

On February 2, 2019, 900,000 stock options with a three-year vesting term were issued to each of the Chief Financial Officer (400,000) and the Chief Executive Officer (500,000) valued at $345,927 and $432,409, respectively. 50,000 options were issued to a director of the Company valued at $43,241.

On May 13, 2019, Ignite US signed a definitive agreement with ECVD/MMS Wholesale, LLC ("UBIQ") for the distribution of CBD products in the Unites States. Under the operating agreement, Ignite US and UBIQ formed a new company called Ignite Distribution, LLC with corporate operations based in New York, United States. Ignite US contributed $501,000 in inventory and cash to the joint operation. The company has consolidated the joint operation within these financial statements and has accounted for non-controlling interests in the statement of financial position and the statement of loss and comprehensive loss.

PROPOSED TRANSACTIONS

At the date of this MD&A, the Company had no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change if the change affects that year only, or in the year of the change and future years if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1 of the Company's interim unaudited consolidated financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

i) Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

ii) Management uses the Black-Scholes Option Pricing model for valuation of share-based compensation and warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimates and the Company's results of operations and equity reserves.

iii) The Company recognizes its investments at fair value. The basis in determining fair value is market prices from independent sources, if available. If there is no market price, then the fair value is determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. These level 3 inputs may include assessing the discounted cash flows of the investee, determining the net book value of the investee in comparison to the Company's cost of investment and reviewing the price-per-share of recently completed financings of the investee.

iv) The Company has a purchase option to acquire a property in California (the "Chalon Estate") for a price to be determined by the date upon which the option is exercised (see note 20). The derivative asset is not actively traded in a market to easily assess the fair value. Management must rely on valuation techniques in order to apply a reasonable value to the asset. Significant judgement is required to determine the most appropriate valuation model and in determining the inputs into the model.

v) Goodwill and intangible assets with an indefinite useful life are tested for impairment annually during the fourth quarter and whenever there are indicators that the carrying amount has been impaired. In order to determine if the value of these assets have been impaired, the Company calculates the recoverable amount of the cash-generating unit to which an asset has been allocated using present value techniques. When applying this valuation technique, the Company relies on several factors, including historical results, business plans, forecasts and market data. Changes in these judgments and estimates can significantly affect the assessed recoverable amount of goodwill and indefinite life intangible assets.

RECENT ACCOUNTING PRONOUNCEMENTS

New standards adopted during the period

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company does not expect a significant impact on the adoption of IFRS 16 as the annual lease payments are not material.

- IFRIC 23 – Uncertainty over Income Tax Treatment: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its financial statements.

FINANCIAL INSTRUMENTS AND RELATED RISKS

Categories of Financial Assets and Financial Liabilities

Financial Instruments

The Company has adopted new accounting standard IFRS 9 – Financial Instruments, effective March 1, 2018. The new standard sets out requirements for classifying, recognizing and measuring financial assets and financial liabilities. This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 allows for an exemption from restating prior periods in respect of the standard's classification and measurement requirements. The Company has chosen to apply this exemption upon initial adoption, although it was determined that the adoption of IFRS 9 had no impact on the comparative period's financial statements.

IFRS 9 establishes three primary measurement categories for financial assets: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For financial liabilities, the new standard retains most of the requirements of IAS 39, except that fair value changes due to changes in an entity's own credit risk are recorded in other comprehensive Income rather than in net earnings.

Upon adoption of IFRS 9, the Company has changed its accounting policy for financial instruments as follows:

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company completed an assessment of its financial assets and liabilities as at June 30, 2019. The adoption of IFRS 9 has no quantitative impact on the Company's financial instruments as at June 30, 2019.
However, it has an impact on the classification of the Company's financial instruments compared to the old standard IAS 39 as follows:

Asset or Liability	**Original classification IAS 39**	**New classification IFRS 9**
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivables	Loans and receivables	Amortized cost
Investments	FVTPL	FVTPL
Note receivable	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other liabilities	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss impairment model. On adoption of the expected credit loss model there was no material adjustment.

Risk Management

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s receivables primarily consist of sales tax credits receivable from the Government of Canada. The Company is exposed to credit risk on its promissory notes due from Tahoe.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2019, the Company had a cash balance of $22,330,716 to settle current liabilities of $14,011,684.

The Company does not believe it is exposed to any significant liquidity risk as at the date of this MD&A.

Interest rate risk

The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2019, the Company did not have any cash and cash equivalents invested that are subject to variable interest rates.

Foreign currency risk

The Company is exposed to foreign currency risk on its promissory note from Tahoe which is denominated in US dollars.

ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities* ("Staff Notice 51-352"), 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 clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

As a result of the Company's investments in the United States, the Company is subject to Staff Notice 51- 352.

At this time, the Company's involvement in the U.S. cannabis industry is limited. The Company may be considered to have "material ancillary involvement" in cannabis activities under Staff Notice 51-352 through its ancillary involvement in U.S. marijuana related activities. In addition, until the Tahoe Note is repaid, the Company can also be considered to have "material ancillary involvement" in Tahoe, a cultivator and/or seller of marijuana in the United States. Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk.

Compliance with Applicable State Laws in the United States

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws as they relate to the cannabis industry. For each of the Company's subsidiaries, investee companies and partners involved in the U.S. cannabis industry, to the best of the Company's knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of its indirect operations, holdings and ventures. The Company is not aware of: (i) any non-compliance by the Company, its subsidiaries, investee companies or partners with respect to marijuana-related activities or (ii) any notices of violation with respect to any marijuana-related activities of the Company, its subsidiaries, investee companies or partners by its respective regulatory authorities.

United States Federal Overview

In the United States, thirty-three (33) states plus the District of Columbia and certain U.S. territories recognize, in one form or another, medical use of marijuana, while ten of those states plus the District of Columbia and certain U.S. territories recognize, in one form or another, “adult use” or “recreational” marijuana. Cannabis currently remains a Schedule I drug under the Controlled Substances Act (the "CSA") and is, therefore, illegal under federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, its use, possession or cultivation remains a violation of federal law. A Schedule I controlled substance is defined as one that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The U.S. Department of Justice (the "DOJ") defines Schedule I controlled substances as the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence. If the United States federal government decides to enforce the CSA, persons that are charged with distributing, possessing with intent to distribute or growing cannabis could be subject to large fines and/or terms of imprisonment. This is the case even if a business is operating legally under state law.

The DOJ under the former Obama administration previously issued a series of memoranda, including, among others, “Policy Statement Regarding Marijuana Issues in Indian Country,” issued by then-Director of the Executive Office for U.S. Attorneys Monty Wilkinson and a memoranda issued by then-Deputy Attorney General James Cole, on August 29, 2013, commonly referred to as the “Cole Memorandum”, which generally directed the U.S. Attorneys' offices (U.S. federal prosecutors) that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law.

However, on January 4, 2018, the now former Attorney General Jeff Sessions issued a new memorandum “Marijuana Enforcement” and then rescinded the previous guidance memoranda, including the Cole Memorandum. Under the new guidance, Attorney General Sessions directs all U.S. Attorneys to enforce the laws enacted by U.S. Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The DOJ asserts this return to the rule of law is also a return of trust and local control to federal prosecutors who know where and how to deploy Justice Department resources most effectively to reduce violent crime, stem the tide of the drug crisis, and dismantle criminal gangs. Therefore, the prosecution of individuals and businesses under the CSA that are engaging in cannabis-related activities in compliance with state law is now ac the discretion of local U.S. Attorneys.

Despite this, the Sessions memorandum, being only a statement of DOJ enforcement policy, did not affect the Rohrabacher-Blumenauer amendment which prohibits the DOJ from using federal funds to interfere with state-legal medical marijuana programs. While that amendment is still in effect, it is subject to periodic extensions by U.S. Congress, the most recent being a February 15, 2019 extension through to September 30, 2019. The amendment does not cover activities under state recreational marijuana laws.

Under U.S. federal law, it is highly likely a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering and other violations of organized crime statutes for providing services to a cannabis business. 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, conspiracy and other federal crimes.

In 2014, the Financial Crimes Enforcement Network ("FinCEN"), in coordination with the DOJ, issued guidelines for financial institutions serving marijuana businesses. The FinCEN guidance is singularly focused on ways to meet Bank Secrecy Act/anti-money-laundering (BSA/AML) obligations while serving the state-legal marijuana sector. It does not authorize financial institutions to serve that sector; rather, it provides a roadmap for BSA/AML compliance for institutions that choose to do so or that otherwise encounter transactions involving marijuana. The FinCEN guidance requires that banks engaged in banking marijuana businesses file special-purpose Special Activity Reports ("SARs") that distinguish among: (a) marijuana businesses lawfully operating in a state (requiring the filing of a "marijuana limited" SAR); (b) marijuana businesses that arguably may not be operating in a manner compliant with state laws (requiring the filing of a "marijuana priority" SAR); and (c) marijuana businesses for which the bank has concluded that a cannabis business was operating in violation of one or more red-flags identified in the Cole Memorandum (requiring the filing of a "marijuana termination" SAR). Despite the recent memorandum by Attorney General Jeff Sessions, FinCEN has subsequently re-affirmed its guidance. In the U.S., on several occasions, bills have been introduced in U.S. Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. These bills have not been passed and there can be no assurance that any will be passed. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would benefit for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

2018 Farm Bill

On December 28, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the CSA and will amend the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp 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 percent on a dry weight basis." The U.S. Department of Agriculture will promulgate regulations for the industrial hemp industry, the timing of which cannot be assured. Additionally, the 2018 Farm Bill does not legalize CBD derived from "marihuana" (as such term is defined in the Controlled Substances Act of 1970), which is and will remain a Schedule I controlled substance under the Controlled Substances Act of 1970. It is not yet known what role the USFDA will have in regulating industrial hemp and CBD derived from industrial hemp.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Company's existing operations and investment in the United States, and any future 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 invest in the United States or any other jurisdiction.

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 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 cannabis.

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 Investees and therefore the Company.

Ability to Access Public and Private Capital

The Company has historically had, and continues to have, access to equity and debt financing from prospectus exempt (private placement) markets in Canada and the United States. The Company's executive team and board of directors have extensive relationships with sources of private capital (such as funds and high net worth individuals) that could be invested at a higher cost of capital.

While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to equity financing through the private markets in Canada and the public and private markets in the United States. Since the use of marijuana is illegal under U.S. federal law and considering concerns in the banking industry regarding money laundering and other federal financial crimes related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business.

Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects and investments. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to issuers with cannabis-related activities. 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's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Risks Related to the Marijuana Industry

The fact that Marijuana is Illegal in Most Jurisdictions May Affect the Trading of Subordinate Voting Shares

The Company's business may involve the distribution of securities of an entity that is expected to indirectly derive a portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Company may be considered to have ancillary involvement (through licensing of its brand name "Ignite" for cannabis products and related merchandise) in the cannabis industry in the United States where local state law permits such activities. In Canada, the *Cannabis Act* (Canada) regulates the production, distribution and sale of cannabis for unqualified adult use and came into force on October 17, 2018. The *Access to Cannabis for Medical Purposes Regulations* (Canada) ("ACMPR") will continue to operate in tandem with the recreational regime and will be re-evaluated within five years of the *Cannabis Act* (Canada) coming into force. Currently, the Company is not directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace in either Canada or the United States, nor is the Company directly engaged in the manufacturing, importation, possession, use, sale or distribution of cannabis in the medical cannabis marketplace in the United States or Canada.

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on THC, while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA in the United States and as such, may be in violation of federal law in the United States.

As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, involvement in cannabis businesses in the United States is subject to inconsistent legislation and regulation. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business of the Company in the United States. As such, there are a number of risks associated with the Company's existing and future business in the United States.

For the reasons set forth above, the Company's existing business in the United States cannabis market, and future business, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Security Administrators and recognized Canadian securities exchanges, the TMX Group, who is the owner of the Canadian Depository for Securities Limited, announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

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

Risks Relating to Other Laws and Regulations

The industry in which the Company operates could subject it to comply with a myriad of other federal, state, provincial and local laws and regulations, which could include, among others, laws and regulations relating to cannabis, personally identifiable information, wage and hour restrictions, health and safety matters, consumer protection and environmental matters. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products. Compliance with such laws and regulations may be costly and a failure to comply with such laws and regulations could result in fines, penalties, litigation and other liability that could materially adversely affect the Company.

The Company's business and its products are and will continue to be regulated as applicable laws continue to change and develop. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. Further, the Company cannot predict what kind of regulatory requirements its business will be subject to in the future. 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.

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 conduct its business. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical marijuana, or more stringent implementation thereof could have a substantial adverse impact on the Company. Local, state, provincial and federal laws and enforcement policies concerning marijuana-related conduct are changing rapidly and will continue to do so for the foreseeable future. Changes in applicable law are unpredictable and could have a material adverse effect on Ignite Canada. Changes in applicable laws or regulations could significantly diminish the Company's prospects. The Company has little or no control over potential changes to laws or regulations that may affect its business.

Additionally, governmental regulations affect taxes and levies, healthcare costs, energy usage and labor issues, all of which may have a direct or indirect effect on Ignite's business and its customers or suppliers. Changes in these laws or regulations, or the introduction of new laws or regulations, could increase the costs of doing business for the Company, or its customers or suppliers, or restrict the Company's actions, causing the Company to be materially adversely affected.

Anti-Money Laundering Laws and Regulations

The Company will be 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 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), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control 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.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

The FinCEN guidance provides instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN guidance 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 relating to the prosecution of money laundering offenses predicated on cannabis- related violations of the CSA. While the FinCEN guidance has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

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, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, 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).

Change in Laws, Regulations and Guidelines

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

On June 21, 2018, the *Cannabis Act* received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime and will be re-evaluated within five years of the *Cannabis Act* coming into force. The governments of every Canadian province and territory have implemented different regulatory regimes for the distribution, sale and use of recreational cannabis within those jurisdictions. For example, Quebec, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have chosen the government regulated model for distribution, whereas Saskatchewan and Newfoundland & Labrador have opted for a private sector approach. Alberta, British Columbia and Ontario are pursuing a hybrid approach of public and private sale and distribution.

As the federal and provincial governments adjust to the new legal recreational-use cannabis environment, they may implement changes to their regulatory schemes and guidelines. For instance, while Ontario had previously committed to a government-regulated model for distribution, it subsequently enacted the *Cannabis License Act, 2018*, which creates a licensing scheme for private cannabis retail stores, licenses for which were awarded via a lottery. There can be no assurance as to what changes to regulatory schemes and guidelines that the federal or provincial governments may enact, or the effect of any such changes on the Resulting Issuer's business and results of operations.

Risks Relating to the Licensing Process

The recreational and medical marijuana rules are constantly changing throughout the global cannabis industry. As a result, consumers and producer rights are in limbo. The future business partnerships and licensee agreements that the Company may make may be subject to receiving regulatory certification or accreditation through Health Canada, US Laws, or any other applicable regulatory authority. Failure to maintain a license or any failure to comply with the requirements of a license would have a material adverse impact on the business, financial condition and operating results of the Company and could lead to a significant decline in the value of its securities.

Risk Factors Related to the United States

Unlike in Canada which has federal legislation and a framework regarding the cultivation, distribution, sale and possession of medical cannabis under the *Cannabis Act*. In the U.S. cannabis remains a Schedule I substance under the *US Controlled Substance Act* ("CSA"). While numerous states and the District of Columbia have passed laws permitting possession and use of marijuana for medical or recreational purposes, it remains illegal on the federal level and individuals and businesses engaged in the marijuana industry have ongoing risk of prosecution for felony crimes under federal laws.

While in August 2013, as a result of the conflicting views between state and federal government regarding cannabis, then Deputy Attorney General, James Cole, authored the Cole Memorandum addressed to all U.S. district attorneys, outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses, on January 4, 2018, a memorandum from then U.S. Attorney General Jeff Sessions was issued to U.S. district attorneys, effectively rescinding previous guidance from the DOJ specific to cannabis enforcement in the U.S., including the Cole Memorandum. U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion on prosecuting cannabis related violations of U.S. federal law.

It is possible that further developments could significantly adversely affect the business, financial condition and results of businesses involved in U.S. marijuana-related activities and in the cannabis industry generally. Such potential proceedings could involve significant restrictions being imposed upon the Company, 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 Resulting Issuer's reputation, even if such proceedings were concluded successfully in favor of the Company.

U.S. Congress passed appropriations bills for the last four years which have not appropriated funds to the DOJ for prosecution of cannabis offenses for individuals who are in compliance with state level medical cannabis laws. Most recently, U.S. Congress extended the prohibition to September 2019. This prohibition is, however, subject to ongoing extension/approval by U.S. Congress and could be rescinded. Courts have interpreted these appropriations bills to effectively prevent the federal government from prosecuting individuals when those individuals comply with state law. This conduct continues to violate federal law, and U.S. courts have observed that should U.S. Congress at any time choose to appropriate funds to fully prosecute under the CSA, any individual or business, (despite fully complying with state laws) could be prosecuted for violations of federal law. If U.S. Congress ever restores funding, the federal government will have the authority to prosecute individuals for any violations of the law which occurred before it lacked funding and that are within the CSA's five-year statute of limitations. Further, the prohibition on the use of funds relates solely to medical marijuana state laws and does not prevent the DOJ from spending funds to prosecute individuals and businesses operating under state recreational marijuana laws.

There are currently 33 states plus the District of Columbia and certain U.S. territories which have laws broadly legalizing marijuana in some form or another, 10 of such states plus the District of Columbia and certain U.S. territories have adopted expansive laws legalizing marijuana for recreational use. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the U.S.

Violations of any federal regulations and laws could result in administrative sanctions, penalties, fines, criminal charges and convictions which may result in diminished profit, cessation of business activities or divestiture losses. These violations can also have a material adverse effect on the Company, including its brand, reputation and ability to conduct business, financial position, ability to raise additional capital, operating results, profitability or liquidity. It is difficult for the Company to estimate the resources and time needed for the investigation of any such matters or its final resolution.

Further, because marijuana is illegal under U.S. federal law, investing in cannabis business could be found to violate the CSA. As a result, individuals involved with cannabis business, including but not limited to investors and lenders, may be indicted under U.S. federal law. An investment in the Company, and the investment in or operation of companies in the cannabis business by the Company, may: (a) expose the investor personally to criminal liability under U.S. federal law, resulting in monetary fines and jail time; and (b) expose any real and personal property used in connection with the Company's business to seizure and forfeiture to the U.S. federal governments. The risk of strict enforcement of the CSA remains uncertain.

The Company's business in the U.S. is currently be limited to the licensing of its brands and the personality of Dan Bilzerian for products in the cannabis industry. In order to become a licensee or sub-licensee, the licensee entity must provide the Company with the licenses it has been granted by the state regulatory authorities which permit it to carry on the sale of cannabis products. On a go-forward basis, the licensee entity is also required to maintain the licenses in good standing, or the Company shall have the right to cancel the licensing arrangement. On this basis, management is of the view that the Company's business interests in the United States will adhere to the principles of the Cole Memorandum.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on The Company's business, revenues, operating results, financial condition or prospects.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the recreational and medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational and medical marijuana markets or any particular product, or consistent with earlier publicity. The Company's dependence upon consumer perceptions means that future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or the Company's proposed products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Liability, Enforcement Complaints etc.

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

The Company's s contracts may be unenforceable

As the CSA currently prohibits the production, processing and use of marijuana, contracts with third parties (customers, suppliers, vendors, landlords, etc.) pertaining to the production, processing, or selling of marijuana-related products, including any leases for real property, may be unenforceable. In addition, if the U.S. federal government begins strict enforcement of the CSA and the CDSA, any property (personal or real) used in connection with a marijuana-related business may be seized by and forfeited to the federal government. In this case, the

Company's inability to enforce contracts, including its sub-licensing contracts, or any loss of business property (whether the Company's or its vendors') will have a material adverse effect on the Company.

The Company may not be able to obtain or maintain a bank account

Because producing, manufacturing, processing, possessing, distributing, selling, and using marijuana is a crime under the CSA, most banks and other financial institutions are unwilling to provide banking services to marijuana businesses due to concerns about criminal liability under the CSA as well as concerns related to federal money laundering rules in the United States. Though guidelines issued in past years allow financial institutions to provide bank accounts to certain cannabis businesses, few banks have taken advantage of those guidelines and many cannabis businesses still operate on an all-cash basis. Operating on an all-cash or predominantly-cash basis would make it difficult for the Company to manage its business, pay its employees and pay its taxes, and may create serious safety issues for the Company, its employees and its service providers. Although the Company currently has several bank accounts, its inability to maintain those bank accounts, or obtain and maintain other bank accounts, could have a material adverse effect on its economic well-being.

The marijuana industry faces significant opposition

It is believed by many that large well-funded businesses may have strong economic opposition to the marijuana industry. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the marijuana industry. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry could have a material adverse effect on the Company.

The protections of bankruptcy law may be unavailable

As discussed above, the use of marijuana is illegal under U.S. federal law. Therefore, it may be argued that the U.S. federal bankruptcy courts cannot provide relief for parties who engage in marijuana or marijuana-related businesses. Recent U.S. bankruptcy court rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate U.S. federal law and then claim the benefits of U.S. federal bankruptcy for the same activity. The Company may not be able to seek the protection of the bankruptcy courts in the U.S. for the equal protection of creditors or debtor-in-possession financing or obtain credit from U.S. federal-chartered financial institutions.

Heightened scrutiny by Canadian authorities

For the reasons set forth above, the business, operations and investments of the Company 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 invest or hold interests in other entities in the U.S. or any other jurisdiction, in addition to those described herein.

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

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

CONTINGENCIES – INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under the terms of the bylaws of the Company, the Company indemnifies its directors and officers against any and all damages, liabilities, costs, charges or expenses incurred in the performance of their service to the Company to the extent permitted by law.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to: general economic and business conditions related to the cannabis industry; cash flow projections; currency fluctuations; risks relating to our ability to obtain adequate financing for future activities; the nature of our future activities; and other general market and industry conditions as well as those factors discussed in the Company's listing statement dated May 30, 2019, a copy of which is available under the Company's profile on SEDAR at www.sedar.com.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and as such forward looking statements contained into this report should not be relied upon. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about general business and economic conditions, the availability of financing for the Company, and the ability to identify and secure a quality asset or a business with a view of completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to the Company can be found under the Company's profile on the SEDAR website at www.sedar.com.