cb2insights

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars)

August 31, 2020

Introduction

This management's discussion and analysis ("MD&A") dated August 31, 2020 should be read in conjunction with the condensed interim consolidated financial statements (the "Interim Financial Statements") of CB2 Insights Inc. (the "Company", "CB2", "we", "us", "our") for the three and six months ended June 30, 2020 ("second quarter of 2020" or "Q2 2020") and the audited annual financial statements of the Company for the fiscal year ended December 31, 2019 (the "Annual Financial Statements"), including the accompanying notes thereto, and the accounting policies as described in Note 3 to the financial statements. Results are reported in Canadian dollars, unless otherwise noted.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations.

The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as at August 31, 2020, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if:

(i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of CB2's common shares;
(ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or
(iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at www.sedar.com.

Company Overview

CB2 Insights is a healthcare services and technology company, working to positively impact patient health outcomes. Our mission is to improve the lives of patients through the prevention and treatment of health conditions and use proprietary technology to monitor, assess, and generate insights to help improve patient outcomes. CB2 is a leading provider of medical services in the United States through telemedicine and over 30 physical locations across 12 states. CB2 is focused on advancing safety and efficacy research and health outcomes surrounding integrative medical therapies by monitoring Real-World Data (RWD) and providing Real-World Evidence (RWE) through proprietary technology, data analytics, research services and its extensive clinical footprint. The Company has recently turned EBITDA and cash-flow positive in Q2 2020. The balance sheet remains healthy with a cash balance of CAD $1.2 million and the Company is well positioned for rapid organic and acquisition based revenue growth over the next 12 months in its medical services division.

The business was founded in 2014, as an electronic data collection (EDC) and patient management platform. Early on, CB2 recognized the gap in the healthcare market to support the integration of alternative therapies such as cannabinoid medicines into the practices of clinicians and thereby the access of treatment options for patients. This initially drove the Company to develop a comprehensive technology platform driven by artificial intelligence and machine learning algorithms to help integrate alternative treatment options into routine clinical practice. The primary goal was to deploy point of care technology to monitor, assess and generate real-world insights to augment the lack of validated clinical trials in the sector.

CB2 established its foundation through a proven acquisition-based growth model, as it expanded its footprint in the US by acquiring 4 clinical groups over 3 years. **The Company now operates one of the largest networks of integrative medical clinics in the U.S, serving over 100,000 unique patients annually[1].** Medical coverage areas in the US include Colorado, Connecticut, Delaware, Illinois, Massachusetts, Maryland, Maine, Missouri, New Jersey, New York, Pennsylvania, and Rhode Island.

In 2019, the Company further evolved by establishing its Technology and Contract Research platform, which provides services across all phases of cannabinoid-based drug development including randomized control, pragmatic and post-marketing clinical trials. This is a natural extension of its clinical operations and technology platform, giving pharma development companies potential access to CB2's platform and patient population, and giving the Company opportunities to assist in the generation and analysis of insights from clinical data. **The Company's goal is to leverage its clinical operations, technology assets and research experience to become a leading generator of real-world evidence; and ultimately the largest data analytics platform focused on uncovering the safety and efficacy of integrative medicines as these products interact with conventional medicine and Primary Care.**

In January 2020, The Company began laying the foundation to expand its services to patients to include more conventional treatments including Primary Care and Urgent Care. In April 2020, the Company announced the launch of Skylight Health Group ("SHG") as the parent brand of its clinical operations in the United States. The Company sees its primary goal of expanding accessible and affordable healthcare for all. Skylight, which operates under both a membership-based, Direct Primary Care ("DPC") model at $199/year provides access to patients who cannot afford access to healthcare services due to cost. The addressable market for these services represents over 40 million Americans. Further, the Company offers additional services under a fee-for-service model primarily covered by insurable health plans under The Centers for Medicare and Medicaid Services ("CMS") and other commercial payors. Services under the CMS are expected to reach $6 trillion by 2027, according to a report on National Health Expenditures by the CMS. This illustrates strong support for future healthcare funding of which the Company expects to benefit from by provisioning qualifying services to its growing patient base.

DPC and insurable services to patients at a limited or no cost will allow greater access for patients who are currently unable to afford such care, especially in the midst of growing unemployment rates due to the COVID-19 pandemic.

Finally, CB2 has a disciplined operating model that allows the Company to both deliver desired results in a time-efficient and cost-effective manner to its clients and to run a fiscally responsible business. CB2 achieved its target of reaching profitability, achieving positive EBITDA in April, May, and June 2020 on an unaudited basis. The Company's broadening initiatives can be funded solely through profits generated from its clinical operations, which is ultimately the advantage of the business model.

Key Highlights

The following are the major financial highlights of CB2's operating results for the three months ended June 30, 2020 compared to three months ended June 30, 2019:

- Revenues were $3.7 million for the period, compared to $3.2 million, an increase of 13.6%, driven by organic growth and a full quarter with the acquired clinics. Management has continued to show its ability to consolidate clinics in a fragmented industry and continue to realize growth in revenue, profitability and economies of scale;

- Gross profit was, $2.6 million for the quarter, compared to $2.1 million, an increase of 22.8%, due to improvements in capacity utilization, and technology deployment to lower the cost of delivery of services. Gross margin for Q2 2020 was 70.6% compared with 65.3% for Q2 2019;

- Operating expenses were $2.5 million for the quarter, compared to $3.9 million, a decrease of 34.5%. Expenses were largely reduced as a result of an overall focus to lower operating costs during the period, by deploying proprietary technology to optimize workflows, improve patient retention and automate patient intake and follow-up;

- Significant improvement in Adjusted EBITDA1 gain of $0.37 million, compared to an adjusted EBITDA loss of $0.79 million and

- Net loss of $0.6 million, compared to $1.8 million achieved through significant improvement in the operating structure and efficiencies driven through improved processes and technology.

- The Company experienced the first full quarter without a cash burn; resulting in positive cash-flow of $0.9 million from operations for the half year; and

- A significantly strengthened balance sheet reflected in a cash position of $1.3 million at the end of Q2 2020 and a reduced working capital deficiency of $1.2 million compared to a deficiency of $6.7 million on December 30, 2019.

1 Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, adjusted by significant one off, non-operational expenses and partially offset by the cash impact of certain accounting treatments during the period.

Business Model

The Company's business model is primarily driven through its clinical operations that offer medical services to patients in the US through virtual and physical care at over 30 brick and mortar clinics in 12 States. During 2019, the Company was able to begin validating its technology and contract research services, which generated incremental revenue by the end of 2019, and is expected to grow significantly throughout 2020. The Company differentiates itself by being one of the largest integrative medical practices in the US that owns its own proprietary technology data analytical assets, and clinical research expertise to support new market expansion, market access, data collection and analysis and drug discovery. CB2 Insights now operates and offers services in three vertical markets: medical services, technology & data analytics, and contract research and development services. Each vertical market is autonomous but works in tandem with the others. The Company's integrates patient access, proprietary technology and consulting services to bring a comprehensive solution.

CLINICAL OPERATIONS: Access to patient-centred integrative healthcare services. Operating as Skylight Health Group ("SHG"), the Company's clinical operations span across more than a dozen states in the US and serve approximately 100,000 unique patients annually.

In 2019, The Company increased its clinical footprint in the US through the acquisition of MedEval, Relaxed Clarity and New Jersey Alternative Medicine. As a result of these acquisitions, the Company now operates over 30 locations across 12 States, services over 100,000 patients, and is one of the largest medical services in the US to specialize in integrative medical services. The Company believed that through acquisition, access to new markets would not only be faster and more cost effective, but also enable the Company to realize significant economies of scale that would improve on the overall profitability margin of the business.

The Company was able to validate its thesis with each acquisition, which added immediate revenue and profitability, and were accretive to the Company's growth. The Company was able to realize improvements in profitability for each acquisition, by way of economies of scale and applying management expertise.

The Company has set its growth target for 2020 based on projected revenues from three primary sources: growth in same service revenue; growth in new services to the Company's existing patient base; and growth through acquisition. With an improved business model, the Company's management expects to achieve an improved revenue and profitability outcome in 2020, and continued validation for its growth trajectory in the coming years.

The Company follows a model that is designed to provide accessible and affordable services for all. This includes over 40 million Americans that cannot access healthcare services due to cost and for those seeking improved services under a fee-for service insurable model for patients with existing insurance plans.

The model follows a hybrid approach.

First, a fixed-membership model that follows the guidelines of Direct Primary Care ("DPC") in the United States. DPC is defined as a monthly or annual membership model upon which patients can receive primary care services outside the traditional insurance-based model. DPC is growing in popularity with over 6% of total clinicians in the US now opting to practice under this model. It allows for more flexibility, higher quality of care for patients, less cost and administration, and revenue stability. SHG's model is to use its scale and size to be one of the most cost effective DPC models to patients in the US, targeting the uninsured population, and those with limited access to care due to high costs of health delivery. Further, SHG aims to provide an alternative solution to small-medium sized employers seeking to lower their average insurance

premiums by maximizing a fixed membership model. The Company believes this provides a long-term runway for growth in an addressable market of over 40 million potential customers.

Secondly, over time, the Company will offer an insurable services model that is designed to further enhance the services and range of care for patients. SHG has already begun accepting insurance plans in specific States including but not limited to Medicare and Medicaid. This provides an opportunity for patients with insurance, to further benefit from "out of basket" services that fall outside the scope of DPC. SHG services are reimbursable in accordance with the rules, regulations and requirements by the Centers for Medicare and Medicaid Services ("CMS"), as well as other private health insurers within each operating state where its physicians, practitioners and patients will be able to enjoy the benefits of an expanded service offering. Under most insurance models, patients typically pay a nominal co-pay amount, however most of the cost of the visit is covered by the health insurer. This structure means the Company can expand its services to patients at limited to no-cost to the patient directly.

TECHNOLOGY & DATA ANALYTICS: Making positive impacts to health outcomes through informed data driven insights. Since 2014, the Company has designed, developed and acquired secure and compliant proprietary technology and digital assets which specialize in monitoring, assessing and evaluating patient treatment plans at the point of care. The technology has also enabled the Company to standardize the quality of care throughout the patient lifecycle, both within its clinical operations and on behalf of other groups – generally in markets outside of the US – in order to access real world data (RWD) related to treatments such as cannabinoid therapy for its efficacy, treatment interactions and other key quality determinants for health.

The Company's primary technology platform, Sail is a proprietary electronic database management and patient record platform designed to standardize and optimize the workflows and management of the Company's wholly owned clinical operations. The system incorporates a series of tools which allows practitioners and other clinical staff to schedule appointments, manage patient files, evaluate patients for integrative therapies and where necessary, create the required documents to submit to regulatory bodies on behalf of patients. The technology was built to support virtual consults, which subsequently in 2020 during the COVID-19 pandemic, was expanded and successfully supported the transition of care for 100,000 patients in its network. The inputs which sit at the point of care, enable the monitoring of comprehensive data related to the patient's medical history, indications and symptoms, previous treatments, clinical outcomes, among other things.

Additional technology solutions include patient input tools used for tracking of patient outcomes, product purchases and other key data metrics that support the Company's overarching goal to study the safety and efficacy of treatment. The Company's patient portal, which allows its patients to take control of their healthcare, also establishes a relationship between the clinic and the patient, to support the post-monitoring efforts of the patient while on the recommended treatment plan. This transparency provides the patient access to insights that enables them to make more informed healthcare decisions.

With contracts with new customers in Canada, the UK and Colombia, in 2019, the Company was able to validate the early adoption of its technology platforms on a monthly recurring subscription-based revenue model. The Company believes that the value in this technology will be recognized in the coming years as access to these insights and ability to generate new insights from its databank will come at a significant premium. As it has in other verticals of healthcare, the Company expects to commercialize in the future through subscription-based access to targeted reports, access to its extensive anonymized data lake, and other project-based initiatives for individual stakeholders.

CONTRACT RESEARCH AND DEVELOPMENT- Expedited access to CB2's patient registry. The challenging aspect of a trial comes from patient and clinical site recruitment. This is the most common reasons why trials get delayed and become extremely costly. CB2 Insights has amassed one of the industry's largest patient registries seeking out and using integrative treatments, conventional medications and alternative plant-based medicines. This allows our partners to have immediate access to our patients' databases for a more time efficient and cost-effective approach.

Our team has extensive experience in providing CRO services to allow us to offer a turnkey solution across all phases of drug development including randomized control, pragmatic and post-marketing clinical trials. Our services are designed to identify and support clinical trial data through the generation of safety and efficacy claims from RWE. CB2 Insights may leverage any combination of its technology, patient registry and/or industry knowledge to support large-scale projects that focus on studying integrative therapies in various markets.

The Company's research and development team can work to support internal research departments and organizations to complement the services offered, or act as a full service CRO providing support from feasibility studies, clinical trial designs, regulatory and drug applications, protocol development and Ethics/IRB approval, patient clinical site recruitment, site monitoring and adverse events reporting, medical writing and publication submission.

Segmentation

The Company's current revenue is generated predominantly through its clinical operations by way of medical services. In 2019, medical services were categorized as uninsured medical services. In 2020, the Company expects to expand by also offering insurable services in a single consolidated medical services operating segment.

The Company also derives a small but growing segment of revenue from projects in its Technology & Data Analytics division as well as its Contract and Research division. While both divisions are new, the Company expects growth in these areas as the Company's offerings and the industry mature over the coming years.

Key Operating Highlights

The following are key Operational Highlights of the Company during the three and six months ended June 30, 2020:

- In April 2020, the Company launched Skylight Health Group ("SHG") as part of its clinical operations in the United States. SHG will immediately provide a range of integrated health services from primary medical care, to consultative specialist care, alternative health, wellness and multi-disciplinary services and products to its patient population. SHG services are reimbursable in accordance with the rules, regulations and requirements by the Centers for Medicare and Medicaid Services ("CMS"), as well as other private health insurers within each operating state where its physicians, practitioners and patients will be able to enjoy the benefits of an expanded service offering. The primary focus of the SHG will be to provide a broad array of primary and alternative healthcare services including family/specialty medicine and interdisciplinary services focusing on comprehensive care, chronic disease management and health promotion/education.

- In April 2020, The Company qualified for relief funds in the United States due to the COVID-19 Pandemic. Total funds of USD $652,500 were received to support payroll and rent relief efforts. The

Company expects that 100% of this loan will be forgiven. As such, the principal will not need to be repaid and there will be no interest charges. The funds used as part of the guidelines, provided support for the Company to withstand the initial impact to its brick-and-mortar services during the early impact of COVID-19 in March. Subsequent efforts to transition to telehealth showed to be successful and the funds enabled the Company to achieve profitable operations and establish a new bank balance of approximately CAD $1 million.

- During the months of April, May and June 2020, the Company saw positive EBITDA on an unaudited basis. The Company continues to work towards full profitability. This will allow the Company to strengthen its cash balance and remove all reliance on external capital for activities beyond strategic initiatives.

- In June 2020, the Company entered into an amended and restated promissory note (the "Amended Note"), which amends the terms of a promissory note originally issued by the Company on December 20, 2018 and amended on June 2019. Under the terms of the Amended Note, the principal amount of USD $3 million will become payable on December 24, 2022 (previously due December 24, 2020), carry an annual interest rate of 8% (previously 12%), payable, at the Company's option, either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares will be calculated at a price per share equal to a 10% discount to the 30-day volume-weighted average trading price of the Company's common shares on the CSE. Additionally, if at any time prior to the maturity date, the closing price of the Company's common shares on the CSE is equal to or greater than CAD $0.30 for 20 consecutive trading days, then the outstanding amounts owed under the Amended Note will be converted into that number of common shares obtained by dividing (A) the Canadian dollar equivalent of the sum of (i) the principal amount of USD $3 million and (ii) the unpaid accrued interest owing up to the conversion date, by (B) the volume-weighted average closing price of the Company's common shares on the CSE during such 20 consecutive trading day period, less a discount of 10%. The Amended Note is effective as of April 1, 2020. As consideration for the amendments, the Company issued warrants entitling the holder to purchase up to 3 million common shares at an exercise price of CAD $0.14 per common share during the period commencing on the first anniversary of date of issuance of the warrants and ending three years from such issuance date.

Key Subsequent Events of the Second Quarter of 2020

- In July 2020, the Company launched the first in a series of monthly medical reports derived from real-world clinical treatments on a variety of healthcare conditions and modalities across the United States, Canada and United Kingdom. The Company expects to release Health Pulse monthly, each targeting various aspects of conventional and integrative medicine. The goal of these reports will be to help stakeholders from a variety of verticals including patients and clinicians, apply evidence-based medicine to their practice. Over the past year, the Company has received over 200 requests for data, ranging from Academia to Industry, which it aims to use this as a platform for distribution. Future learnings from these stakeholders will enable customized reports for targeted customer groups, and opportunities to commercialize on a subscription basis.

- In August 2020, the Company was selected by Dharma Pharmaceuticals to Study Real-World Health Outcomes. Dharma will utilize Sail to standardize and complement other sources of information used in its intake and patient monitoring program. As one of 5 license holders in Virginia, Dharma Pharmaceuticals is a locally-owned company based in Bristol, Virginia and is committed to bringing high-quality medical cannabis oil products to Virginia's patients

- On August 19, 2020, the Company announced the addition of Insurance Industry Veteran Pam Galassini to its Leadership Team as Senior Vice President, Business Development. Galassini brings more than 20 years of pharmacy benefit management, payor insights and pharmaceutical manufacturer strategies and solutions experience to Merida Capital. Throughout the nearly two decades spent at Medco Health Solutions, Inc., which was acquired for $29B by Express Scripts in 2011. Within this role, Galassini will support CB2 Insights initiatives to drive engagement and sales in the US for its Skylight Health Direct Primary Care ("DPC") offering to small- to medium-sized businesses ("SMB")

- On August 26, 2020, the Company entered into a Business Services Agreement with the Freas Medical Advisors ("FMA") to expand medical services in Maryland. FMA is also investigating geographic expansion of its relationship with CB2 across other US States. FMA represents a team of healthcare entrepreneurs who bring over 40 years of experience in business and US healthcare operations. With strong ties to regulatory bodies within Maryland, the FMA network of practices include Novus Pain Management Center and Flagship Rehabilitation, among others. In addition to building a strong patient referral network, FMA will leverage its connections, network, and resources to help build and maintain a strong business model for CB2 in Maryland.

Overall Performance and Outlook

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

Focused on measurable changes to its operating model and structure, the Company was committed to achieving profitability by Q2 2020. Amidst the challenges of limited cash entering Q1 2020, the Company was able to continue improving on its operations, managing costs in line with seasonality of the US business, and ramping up towards meetings its profitability goal. The Company is excited to announce, that it is has seen for the first time in its history, a fully quarter of positive cash flow from operations and positive EBITDA as result of its efforts over the last 12 months.

The seasonality of the US clinical business generally results in lower sales in Q4 and Q1 of any calendar year. This is primarily driven by the lack of free cash flow over these periods by patients seeking care for out-pocket expenses. The US clinical business, which is primarily driven by uninsured services, means that patients are paying out of pocket for visits. However, the Company generally sees higher demand during Q2 and Q3 of any calendar year. Financial forecasting takes this into consideration and thus the Company relies heavily on its busier seasons to help offset the reduced sales in the Fall and Winter months. The Company is already seeing this trend continue into Q3 on an unaudited basis.

The Company is committed to and confident that it has now hit a major inflection point in realizing profitability and minimizing the need for external cash to support operations. The government funds received during the Pandemic in Q2 2020, have further strengthened the balance sheet. At the end of Q2 2020. the Company had approximately CAD $1.3 million in cash.

Accelerated by the COVID-19 pandemic, the Company has launched and successfully implemented its proprietary telemedicine platform which has enabled it to maintain and grow its revenue targets over the last 5 months from the start of the pandemic. Further enhanced by new DPC and insurable services, the Company expects to see strong organic and acquisition growth over the next 12 months as it executes its three pronged growth model.

Outlook

The Company expects to see strong growth in revenue and EBITDA over the next 12 months as it expands its reach in the US in services and patient growth. With the growing demand for accessible and affordable medical services in the US the Company believes the following external factors are going to be significant contributors for growth for its DPC, insurable and telemedicine services. The Company believes it is well positioned to meet this growing opportunity.

- Growing unemployment rates in the US due to impacts from the COVID-19 pandemic are leading to record rates in loss of insurance coverage for Americans requiring continued access to healthcare services. CB2's DPC services are uniquely positioned to provide affordable healthcare for patients at $199/year, compared to what could cost Americans thousands of dollars in fee-for-services costs if they lack a healthcare plan.
- Improved services and under CMS for telemedicine provision to reduce the exposure for seniors over 65. With over 30% of the current population for CB2 over 65 and a robust telemedicine platform, the Company sees this as a strong driver for growth in the insurable services market as many patients seek safer alternatives to physical clinics and crowded waiting rooms.
- Reduced licensure requirements for supporting and servicing patients in other US states. With most states opening the opportunity for clinicians licensed in other States to begin offering telemedicine services to patients with reduced licensure requirements, the Company sees this as an opportunity to expand to new states with a strong team of over 50 providers and begin expanding its reach of telemedicine services.
- Continued fragmentation of the primary care services market is leading to more opportunities to acquire disparate primary care clinics at attractive multiples. The Company has a proven and demonstrated success rate at acquiring medical clinics in a fragmented marketplace. Further, founders Prad Sekar and Kash Qureshi have a strong track record in clinical practice management and in expanding new revenues to existing practices. This presents an excellent opportunity over the next 12 months for growth in revenues and profitability by acquisition in the US market.

Data remains important and is a developing business. Over the past year, the Company has received over 200 requests for data, ranging from Academia to Industry, which it aims to use this as a platform for distribution. Experiential data from these stakeholders will enable customized reports for targeted customer groups, and opportunities to commercialize on a subscription basis.

Value in technology and data will be recognized from partnerships and collaborative projects. Data and technology utilization in this sector are still in their early adoption phases. Revenues will be expected in the future but in the near-medium term, the Company expects to show growth in adoption and utilization of its data and technology platforms which are focused on validating its core competency in this space.

Looking ahead, the Company believes it is well positioned to see growth in three key areas:

Same-services

- Over the next 12 months, the Company expects to see robust growth as it expands its medical services to include traditional and conventional treatments alongside its current alternative focused approach to its over 100,000 patient base in the US.
- Through DPC, the Company expects to enter an addressable market of 40 million Americans largely underserved do the high cost of healthcare in the US. This disruptive model has already begun to see traction with patients already showing strong demand in the States where the Company has begun launching its DPC services. The Company is working closely with strategic partners in the US to develop key messaging and marketing metrics that will enable it to scale its marketing efforts over the next 12 months in this niche segment.
- The Company currently earns on average $150 per patient per year. With the increase in DPC services to include Primary and Urgent Care, the Company expects to grow its revenue per patients to $199 per year as patients see the value in the addition of these services.

New-services

- Through insurable services, the Company expects to see growth in its current fixed revenue model per patient. Currently, the Company earns on average $150 per patient per year under its DPC model with a target of $199 per year.
- Insurable services offered under the CMS and other commercial payors expand revenues per patient under a fee-for-service model that can improve the per patient annual revenue by 3-4x the current spend. Further these additional revenues come at limited to no-cost to patients.
- The Company expects to expand on insurable services over the next 12 months in the areas of Primary Care and Urgent care, with future expansion to other sub-specialties.

Acquisitions

- The primary care sector in the US continues to remain highly fragmented with majority of consolidation done by regional and localized healthcare networks. This creates a large opportunity for National groups like CB2 who have demonstrated success as consolidating these clinical groups to see transformative revenue growth over the next 12 months.
- The Company has already developed a strong pipeline of acquisition targets and with recent profitability, cash on its balance sheet, and strong support from its investor base, is well positioned to begin executing on its acquisition strategy.
- Each acquisition will result in immediate revenue and profitability recognition. Through economies of scale and technology, the Company expects to grow margins with each acquisition by introducing new DPC and insurable services, the Company expects to grow revenues for each acquired group. Each acquisition target already represents over 90% of their revenues in insurable services supporting the growth model of CB2.

Technology & Data Analytics

The primary technology platform, Sail, is a proprietary electronic database management and health record platform designed to standardize and optimize the workflows and management of the Company's wholly owned clinical operations. This platform which was initially designed to support the Company's own operations, has begun to show value externally to customers who operate similar businesses in other markets. These customers, who have validated the need for this tool through early revenue generating contracts, provide a new source of subscription revenue for the Sail platform. The Company expects to further study and identify a future subscription-based revenue channel for the intellectual property developed in Sail.

These platforms and data sets ultimately feed into the Company's research initiatives. CB2 has amassed one of the industry's largest patient registries seeking out and using integrative treatments, conventional medications and alternative plant-based medicines. As such, as patient counts grow, the attractiveness of the CRO platform increases. In addition to the international partnerships mentioned earlier, CB2 is actively involved in multiple discussions with research organizations and industry stakeholders in the US. Patient recruitment for clinical trials remains one of the highest costs and time barriers for companies and researchers in the clinical trial processes. With a large and growing patient registry, and technology developed to help researchers quickly target, identify and recruit patients into clinical trials, the Company sees this as a growing value to customers in the US in the life-sciences and pharmaceutical industry. The Company intends to pursue research opportunities that can evolve to new revenue channels.

Data is becoming the new currency in the Life Sciences Industry, with Pharmaceutical companies injecting billions into the collection and study of real-world data generated from routing clinical operations. The Company believes that its growth of its primary clinical operations will lead to enablement of value and revenue recognition within this space. The data aggregated will be used to power future analytical software and machine learning tools that will help various stakeholders advance and develop their businesses inside and outside of the industry:

- **For medical practitioners and health associations** – educational tools to assist in the qualification, dosing and prescribing at the point of care
- **For insurance companies** – to help formulate reimbursement programs as cannabis-based medicines become part of mainstream healthcare
- **For Regulatory bodies** – data to support in the knowledge and value of the program for their markets (how to structure a program based on their patient population)
- **For Drug Manufacturers (big pharma in the future)** – resources by which to run real world clinical trials on products in the US, or for those not in the US, data by which to simulate real world trails on products and/or to determine data to assist in the future development of cannabis-based products

Discussion of operations

For the three and six months ended June 30, 2020, the Company has two reportable operating segments related to its software, and clinic businesses, which also align with the two countries in which it operates, the United States and Canada. The functional currency is the United States dollar ("USD") for operations in the United States and the Canadian dollar ("CAD") for operations in Canada. The Company's reporting currency is the CAD.

Operating results

The following table presents financial information for the three and six months ended June 30, 2020 compared to June 30, 2019:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Revenue	3,700,473	3,257,021	6,632,499	6,106,832
Cost of sales	1,088,015	1,129,270	2,118,346	1,784,958
Gross profit	2,612,458	2,127,751	4,514,153	4,321,874
Operating expenses				
Salaries and wages	1,114,755	1,817,305	2,505,715	2,922,692
Office and administration	421,912	470,319	798,512	837,112
Marketing and business development	49,221	275,912	105,790	812,423
Professional fees	259,895	596,362	486,249	1,066,463
Rent	30,861	43,363	98,980	83,440
Share-based compensation	22,384	82,744	336,454	266,647
Depreciation and amortisation	626,643	571,026	1,240,791	1,062,343
Impairment loss	-	-	-	-
Total operating expenses	**2,525,671**	**3,857,031**	**5,572,491**	**7,051,120**
Income (loss) from operations	**86,787**	**(1,729,280)**	**(1,058,338)**	**(2,729,246)**

Revenue

The Company's revenue for the three and six months ended June 30, 2020 was $3,700,473 and $6,632,499, respectively (three and six months ended June 30, 2019: $3,257,021 and $6,106,832, respectively).

Revenue for the three and six months ended June 30, 2020 consisted of software licensing fee from the Canadian operations amounting to $19,043 and $33,289, respectively (three and six months ended June 30, 2019: $6,018 and $10,470, respectively), Contract research revenue from the Canadian operations amounting to $48,601 and $75,494, respectively (three and six months ended June 30, 2019: nil and nil) and clinic revenue from the US clinical operations amounting to $3,632,829 and $6,523,716, respectively (three and six months ended June 30, 2019: $3,251,003 and $6,096,362, respectively).

Cost of sales

Cost of sales during the three and six months ended June 30, 2020 totaled $1,088,015 and $2,118,346, respectively (three and six months ended June 30, 2019: $1,129,270 and $1,784,958, respectively). Cost of sales pertains directly to the US clinical operations and comprises service fees paid to doctors and nurse practitioners. Subsequently scaled back and optimized schedules and use of telehealth are expected to improve margins further in 2020.

Operating expenses

Operating expenses during the three and six months ended June 30, 2020 totaled $2,525,671 and $5,572,491, respectively (three and six months ended June 30, 2019: $3,857,031 and $7,051,120, respectively), and continued to decrease despite the increase in overall size of the business.

Operating expenses during the three and six months ended June 30, 2020 primarily comprised salaries and wages on technology, clinical staff and support infrastructure including the call center, accounting and management amounting to $1,114,755 and $2,505,715, respectively (three and six months ended June 30, 2019: $1,817,305 and $2,922,692, respectively), office and administration expenses amounting to $421,912 and $798,512, respectively (three and six months ended June 30, 2019: $470,319 and $837,112, respectively), professional fees amounting to $259,895 and $486,249, respectively (three and six months ended June 30, 2019: $596,362 and $1,066,463, respectively), share based compensation amounting to $22,384 and $336,454, respectively (three and six months ended June 30, 2019: $82,744 and $266,647, respectively), depreciation and amortization amounting to $626,643 and $1,240,791, respectively (three and six months ended June 30, 2019: $571,026 and $1,062,343, respectively), rent amounting to $30,861 and $98,980, respectively (three and six months ended June 30, 2019: $43,363 and $83,440) and marketing and business development expenses amounting to $49,221 and $105,790, respectively (three and six months ended June 30, 2019: $275,912 and $812,423, respectively). The Company is committed in 2020 to reduce operating expenses through efficiencies in technology and economies of scale including those realized from the new acquisitions.

Financing expenses

Financing expenses during the three and six months ended June 30, 2020 totaled $748,528 and $586,584, respectively (three and six months ended June 30, 2019: $90,059 and $1,174,691, respectively).

Financing expenses during the three and six months ended June 30, 2020 primarily comprised Foreign exchange (gain)/ loss amounting to $229,476 and $(435,457), respectively (three and six months ended June 30, 2019: $2,057 and $4,104, respectively), reverse takeover transaction cost amounting to $nil and $nil, respectively (three and six months ended June 30, 2019: $nil and $807,995, respectively), change in fair value amounting to $768,939 and $1,223,796, respectively (three and six months ended June 30, 2019: $198,127 and $396,254, respectively), accretion on convertible debentures amounting to $nil and $nil, respectively (three and six months ended June 30, 2019: $nil and $28,632, respectively), interest on lease liabilities amounting to $44,866 and $92,998, respectively (three and six months ended June 30, 2019: $56,186 and $104,017, respectively), and gain on debt settlement amounting to $294,753 and $294,753, respectively (three and six months ended June 30, 2019: $166,311 and $166,311, respectively).

Net Loss

During the three and six months ended June 30, 2020, the Company recorded a net loss before income taxes amounting to $661,741 and $1,644,922, respectively (three and six months ended June 30, 2019: $1,819,339 and $3,903,937, respectively). Loss in 2019 was a result of higher professional fees and marketing and business development expenses pertaining to the Company's "going public" process, and the reverse takeover transaction cost booked during the year. Adjusted EBITDA gain (loss) during the three and six months ended June 30, 2020 was $369,865 and $(233,269), respectively (three and six months ended June 30, 2019: $(789,225) and $(1,501,477), respectively).

Quarterly Results

	2020		2019			
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	3,700,473	2,932,026	3,123,777	4,193,138	3,257,021	2,849,811
Cost of sales	1,088,015	1,030,331	1,051,418	1,264,296	1,129,270	655,688
Gross profit	2,612,458	1,901,695	2,072,359	2,928,842	2,127,751	2,194,123
Operating expenses						
Salaries and wages	1,114,755	1,390,959	1,865,299	1,726,296	1,817,305	1,105,387
Directors' fees	-	-	136,500			
Office and administration	421,912	376,601	392,667	606,618	470,319	366,793
Marketing and business development	49,221	56,569	108,247	137,191	275,912	536,511
Professional fees	259,895	226,354	279,304	505,401	596,362	470,101
Rent	30,861	68,119	35,634	106,467	43,363	40,077
Share-based compensation	22,384	314,070	771,422	82,744	82,744	183,903
Depreciation and amortisation	626,643	614,148	725,919	469,298	571,026	491,317
Impairment loss	-	-	3,607,499			
Total operating expenses	**2,525,671**	3,046,820	7,922,491	3,634,015	3,857,031	3,194,089
Income (loss) from operations	**86,787**	(1,145,125)	(5,850,132)	(705,173)	(1,729,280)	(999,966)

Adjusted-EBITDA

Adjusted EBITDA gain for the quarter ended June 30, 2020 was $369,865 compared to an Adjusted EBITDA loss of $789,225 for the comparative period. These improvements were in part due to further improvements in Company's top and bottom line and are expected to continue in 2020.

The Company is committed to reducing its monthly cash expense outlay through a laser focus on revenue and margin growth. Cash flow breakeven is a near-term goal for the Company. Technology and economies played a big role in reaching these metrics at the end of 2019. Moving in 2020, the Company was committed to seeing profitability based on reasonable expectations of revenue by Q2 2020. As announced as part of subsequent events, the new cost structure reached allowed the Company on an unaudited basis to reach profitability in April, May, and June 2020.

The Company's clinical business remains profitable. The Company has made the strategic decision to use the profits found within the clinical operations to help fuel the development of the technology and research & development business. This allows the Company to leverage its cash flow for future revenue gain in these newer business areas. Recent revenues driven through technology and research projects has allowed the Company to recognize some of the return on investment and the Company expects that further traction and adoption in 2020 will continue to result in increased earnings in these categories in the coming years.

The MD&A makes references to certain non-IFRS measures, including certain industry metrics. These metrics and measures are not recognized measures under IFRS, do not have meanings prescribed under IFRS and are as a result unlikely to be comparable to similar measures presented by other companies. These measures are provided as information complimentary to those IFRS measures by providing a further understanding of our operating results from the perspective of management. As such, these measures should not be considered in isolation or in lieu of review of our financial information reported under IFRS. This MD&A uses non-IFRS measures including "EBITDA", "adjusted EBITDA". EBITDA, and adjusted EBITDA are commonly used operating measures in the industry but may be calculated differently compared to other companies in the industry. These non-IFRS measures, including the industry measures, are used to provide investors with supplementary measures of our operating performance that may not otherwise be apparent when relying solely on IFRS metrics.

Reconciliation of Adjusted EBITDA to Loss from operations

$	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Gain (loss) from operations	86,787	(1,729,280)	(1,058,338)	(2,729,246)
Depreciation, amortization	626,643	571,026	1,240,791	1,062,343
Impairment & write-offs	35,648	-	35,648	-
Share based compensation	22,384	82,744	336,454	266,647
Capitalization of software development cost	(132,675)	(300,000)	(255,284)	(600,000)
Capitalization of lease payments	(268,922)	(218,260)	(532,540)	(400,349)
One-off acquisition related costs etc.	-	804,545	-	899,128
Adjusted EBITDA	369,865	(789,225)	(233,269)	(1,501,477)

FINANCIAL POSITION

Significant Assets

$	June 30, 2020	December 31, 2019
Cash	1,292,991	130,273
Trade and other receivables	244,085	309,353
Computer software	1,104,229	1,312,170
Other intangible assets	4,272,779	4,321,118
Goodwill	1,715,159	1,634,611
Right of use assets	1,275,075	1,532,128

The Company's total assets as of June 30, 2020 were $10,095,026 (December 31, 2019: $9,484,082). These assets were mainly comprised of cash amounting to $1,292,991 (December 31, 2019: $130,273), trade and other receivables amounting to $244,085 (December 31, 2019: $309,353), computer software amounting to $1,104,229 (December 31, 2019: $1,312,170), other intangible assets amounting to $4,272,779 (December 31, 2019: $4,321,118), goodwill amounting to $1,715,159 (December 31, 2019: $1,634,611) and right of use assets amounting to $1,275,075 (December 31, 2019: 1,532,128).

Liquidity and Capital Resources

Period Ended June 30,	2020	2019
	$	$
Cash provided by (used in) operating activities	885,248	(910,841)
Cash used in investing activities	(255,284)	(635,578)
Cash provided by financing activities	567,785	2,394,330

As at June 30, 2020, the Company had a cash balance of $1,292,991 (December 31, 2019: $130,273). Increase in cash was due to cash amounting to $885,248 generated by operating activities and $567,785 provided by financing activities, partially offset by cash amounting to $255,284 utilized in software development and a foreign currency impact of $35,031.

Adjustments to arrive at operating cash flow include $1,240,791 adjustment for depreciation and amortization (June 30, 2019: $1,062,343), unrealized foreign exchange gain of $444,531 (June 30, 2019: $nil), accretion on convertible debentures amounting to $nil (June 30, 2019: $28,632), interest on lease liabilities of $92,998 (June 30, 2019: $104,017), reverse takeover transaction cost amounting to $nil (June 30, 2019: $807,995), share-based compensation of $336,454 (June 30, 2019: $266,647), bad debts write off amounting to $35,648 (June 30, 2019: $nil), adjustment for change in fair value of financial instruments amounting to $1,223,796 (June 30, 2019: $396,254), gain on debt settlement amounting to $294,753 (June 30, 2019: $166,311) and the change in non-cash working capital balances due to decrease (increase) of inventories of $4,684 (June 30, 2019: $(4,790)), decrease (increase) in trade and other receivables of $70,300 (June 30, 2019: $36,733)), decrease (increase) in prepaid expenses of $(4,632) (June 30, 2019: $(47,069), increase (decrease) in accounts payable and accrued liabilities of $269,415 (June 30, 2019: $508,645) and increase in income taxes payable of $nil (June 30, 2019: $61,795). The increase in cash from operations during the six months ended June 30, 2020 compared to June 30, 2019 is attributable to lower net loss during the six months ended June 30, 2019.

The Company's cash used in investing activities for the six months ended June 30, 2020 was $255,284 (2019: $635,578). The decrease was primarily due to a decrease in software development and acquisition activities.

The Company's financing activities in six months ended June 30, 2020 comprised raising net proceeds of $188,367 on exercises of warrants and proceeds from PPP loan amounting to $916,958, partially offset by the payment of principal and interest on lease liabilities amounting to $532,540 on the company's leased premises and repayment of related party loan amounting to $5,000.

During the six months ended June 30, 2019, the company raised $2,474,374 through private placements, $787,800 from the issuance of Merida note II, partially offset by payment of principal and interest on lease liabilities amounting to $400,349 and purchase consideration paid amounting to $467,495.

As at June 30, 2020, the Company had a working capital deficiency of $1,249,287 (December 31, 2019: $6,711,281). The working capital position has improved significantly due to operating profits generated during the quarter, restructuring of the promissory note payable and receipt of relief funds in the United States, which is currently disclosed as a loan payable on the balance sheet but is expected to be forgiven under the approved guidelines.

The Company has achieved EBITDA profitability for Q2 2020 and believes this will be improved over the next quarters as continued clinical consolidation efficiencies and revenue related to its non-clinical business areas comes online. Contribution in these areas is not only expected to add to the Company's top line, but also generate a higher margin than its current clinical operations. The Company's ability to reach profitability is dependent on successful implementation of its business strategy. The Company may require additional debt and/or equity financing in order to accelerate its growth strategy. Although the Company has been successful in raising funds to date, there can be no assurance that funding will be available in the future or available under terms acceptable to the Company.

Off-Balance Sheet Arrangements

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

Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company's key management currently consists of the Company's directors and officers.

Salaries and short-term benefits of key management personnel for the three and six months ended June 30, 2020 amounted to $120,615 and $224,000, respectively (for the three and six months ended June 30, 2019: $118,361 and $221,100, respectively).

Share-based compensation of key management personnel for the three and six months ended June 30, 2020 amounted to $nil and $142,078, respectively (for the three and six months ended June 30, 2019: $nil and $67,553, respectively).

The amounts are the amounts recognized as an expense during the reporting period related to key management personnel.

New accounting standards issued but not yet effective

Amendments to IAS 1 - Presentation of financial statements ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8")

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The Company adopted the amendments to IAS 1 effective January 1, 2020, which did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

Use of estimates and judgments

Estimates - Lease terms are estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not to exercise a termination option. Certain qualitative and quantitative assumptions are evaluated when deriving the value of an economic incentive.

Judgments - Judgment is applied when determining if a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset and should provide the right to substantially all of the economic benefits from the use of the asset.

Judgment is also applied when determining if the Company has the right to control the use of an identified asset. This right exists when the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In certain instances, where the decision about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset when the Company has the right to operate the asset or if the Company designed the asset in a way that predetermines how and for what purpose the asset will be used.

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.

Certain leases contain extension or renewal options that are exercisable only by the Company and not by the lessor. At lease commencement, the Company assesses whether it is reasonably certain to exercise any of the extension options based on the expected economic return from the lease. Periodically, leases are reassessed to determine if the Company is reasonably certain to exercise options and account for any changes at the date of the reassessment.

Risk Factors

The following section describes specific and general risks that could affect the Company. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers.

Limited Operating History

The Company, while incorporated in November 2014, began carrying on business in 2017 and has only very recently begun to generate revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and likelihood of success must be considered in light of the early stage of operations.

Scrutiny of Company's Investments in the United States

The Company's existing investments 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 or 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, in addition to those described herein. Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have material adverse effects on the Company's business, financial condition and results of operations.

Variation in Regulation

Individual state laws do not always conform to the federal standard or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

Canadian Companies with U.S. Marijuana-Related Assets

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

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the US; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

At this time, the Company's involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is "Ancillary" through direct control of an entity that provides services to third parties who are indirectly involved in the U.S. marijuana industry (the "Investee"). In addition, the Company does not operate, nor control any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with any US state license. As a result of the Investees having cannabis-related operations in the

US, the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where its Investee conducts operations. 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 US state. The Company is not aware of: (i) any non-compliance by its Investee with respect to marijuana-related activities, or (ii) any notices of violation with respect to its Investee's marijuana-related activities by its respective regulatory authorities.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis 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 medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company.

Global Economic Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and trading price of the Company's common shares.

Risks Related to Pandemics, including COVID 19

Public health crises, including the ongoing novel coronavirus (COVID-19) pandemic, could have significant economic and geopolitical impacts that may adversely affect the Company's business, financial condition and/or results of operations. The Company's financial and/or operating performance could be materially adversely affected by the public health crisis resulting from the ongoing novel coronavirus (COVID-19) pandemic and other similar public health crises. Such public health crises, including the ongoing COVID-19 pandemic, and economic and geopolitical impacts caused as a result of such public health crises, can result

in volatility and disruption to global supply chains, trade and market sentiment, mobility of people, and global financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, liquidity and volatility of capital markets, financing opportunities, financial conditions and results of operations, and other factors relevant to the Company. In addition, such public health crises may subject the Company to risks related to employee health and safety, slowdowns or temporary suspensions of operations in impacted locations, temporary or indefinite delays in the completion of our clinical trials, additional non-compensable costs, and/or the cancellation of contracts, all of which could negatively impact the Company's business, financial condition and/or results of operations.

General Economic Trends

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United States or any of the states within the United States or any jurisdiction in which the Company operates or intends to operate could adversely affect the Company's business, financial condition, or results of operations.

Economic Environment

The Company’s operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company’s sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted, and future prospects of such areas might be different from those predicted by the Company’s management.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company may pursue strategic acquisitions, which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non- compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Banking

Since the use of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept or deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability to open bank accounts may make it difficult to operate the Company's U.S. operations.
Financial Projections May Prove Materially Inaccurate or Incorrect

The Company's financial estimates, projections and other forward-looking information accompanying this document were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operating expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company and its subsidiaries may achieve.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the global cannabis industry. A failure in the demand for its services to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Competition – General

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support.

Competition – Healthcare Information Systems

The healthcare information systems market is highly competitive on a local, national and international level. The Company believes that the primary competitive factors in this market are:

- quality service and support;
- price;
- product features, functionality and ease of use;
- ability to comply with new and changing regulations;
- ongoing product enhancements; and
- reputation and stability of the vendor.

For example, the current EMR marketplace in Canada is currently dominated by Telus Health and the Company will face substantial competition from Telus Health and other established competitors, which have greater financial, technical, and marketing resources than it does. Its competitors could use their greater resources to modify their product offerings to incorporate platform functionality among doctors, patients, pharmacies and licensed producers in a comparable manner to the Company. The Company's competitors also have a larger installed base of users, longer operating histories and greater name recognition than the Company will.

There can be no assurance that the Company will successfully differentiate its current and proposed products from the products of its competitors, or that the marketplace will consider the products of the Company to be superior to competing products.

Competition – Health Care Clinics

The industry is intensely competitive, and the Company competes with other companies that may have greater financial resources and facilities. Numerous other businesses are expected to compete in the clinic space and provide additional patient services, in particular within states with new and emerging cannabis legislation.

An increase in competition for cannabis evaluations and education may decrease prices and result in lower profits to the Company.

Management of Growth

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

Reliance on Management

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

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Risks Related to Software and Product Development

The Company continues to develop software and products. Inherent risks include:

- *Lack of experience and commitment of team* – The project manager is the leader and the most responsible person. An inexperienced manager can jeopardize the completion of a project.

- *Unrealistic deadlines* – Software projects may fail when deadlines are not properly set. Project initialization, completion date and time must be realistic.

- *Improper budget* – Cost estimation of a project is very crucial in terms of project success and failure. Low cost with high expectations of large projects may cause project failure.

- *Lack of resources* – Software and hardware resources may not be adequate. Lack of resources in terms of manpower is also a critical risk factor of software failure.

- *Personnel hiring* – The Company will be subject to extensive hiring requirements across all of its business lines as well as a need to release underperforming employees in order to perform and grow at the rate it intends. Staffing requirements may not be properly attained or assigned for/to specific tasks or company needs.

- *Understanding problems of customers* – Many customers are not technical in terms of software terminologies and may not understand the developer's point of view. Developers may interpret information differently from what is provided by the clients.

- *Inappropriate design* – Software designers have a major role in the success or failure of the project if a design is inappropriate for the project.

- *Market demand obsolete* – Market demand may become obsolete while a project is still in progress

Risks Inherent in the Health Clinic Industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct clinical business operations, changes in health care laws and governmental regulations, and various other factors may significantly impact the ability of the Company to generate revenues. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate the Company's clinic operation, regardless of whether the Company is generating revenue.

Material Impact of PIPEDA/HIPPA Legislation on the Company's Business

Regulations under PIPEDA/HIPAA governing the confidentiality and integrity of protected health information are complex and are evolving rapidly. As these regulations mature and become better defined, the Company anticipates that they will continue to directly impact our business. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on the Company's part to comply with current or future regulations could subject it to significant legal and financial liability, including civil and criminal penalties. In addition, development of related federal and state regulations and policies regarding the confidentiality of health information or other matters could positively or negatively affect our business.

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

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

In February 2014, the Financial Crimes Enforcement Network ("FCEN") of the Treasury Department issued a memorandum (the "FCEN Memo") providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

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

Canadian investors in the Common Shares and the Company's directors, officers, and employees may be subject to travel and entry bans into the United States

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the pending legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United

States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce our ability to manage our business effectively in the United States. The Company will retain, as required, counsel and is in the process of developing policies to deal with any immigration-related issues which may arise.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company will not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having material adverse impact on financial performance, financial condition, cash flows and growth prospects.

The Company may lack access to United States bankruptcy protections

Because cannabis is a Schedule I substance under the Controlled Substance Act, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside

Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets.

A substantially amount of the Company's revenue will be earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Requirements for Further Financing

The Company may need to obtain further financing, whether through debt financing, equity financing or other means. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current operations, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost. The raising of equity funding would also result in dilution of the equity of the Company's shareholders.

Litigation

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

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Health Care Coverage

There is a possibility that healthcare companies can refuse to cover medical cannabis costs and due to the high costs associated with medical cannabis this can lead to consumers moving to a different medical product that is covered.

Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual number of dividends received from the Company will remain subject to the discretion of its Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors. Any future dividends paid by the Company would be subject to tax and potentially, withholdings.

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ

materially from those anticipated in such forward- looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, including, but not limited to:

- assumptions about the ability of the Company to raise necessary capital for its existing operations and expansion plans;
- the ability of the Company to retain key management personnel; and
- the Company's ability to capitalize on synergies and adopt reasonable cost saving measures within its Clinical brands.

Some of the important environmental factors, but certainly not all, that could cause actual results to differ materially from those indicated by such forward-looking statements are:

(i) dependence on third parties,
(ii) changes in government regulation,
(iii) the effects of competition,
(iv) impact of American and Canadian economic conditions, and
(v) fluctuations in currency exchange rates and interest rates.