(TSX-V: EVE)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

EVE & CO INCORPORATED

For the six months ended June 30, 2020

Date: August 14, 2020

EVE & CO INCORPORATED

Management's Discussion and Analysis for the six months ended June 30, 2020

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of Eve & Co Incorporated ("**Eve & Co**" or the "**Company**") is for the six months ended June 30, 2020 and is provided as of August 14, 2020. This MD&A was prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with Eve & Co's condensed consolidated interim financial statements and the notes thereto for the six months ended June 30, 2020 and June 30, 2019 (the "**Quarterly Financial Statements**").

The Quarterly Financial Statements have been 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 for all periods presented. The Quarterly Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors (the "**Board of Directors**"). The Quarterly Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Natural MedCo Ltd (Ontario) ("**NMC**") and Eve & Co International Holdings Ltd (Ontario).

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. All references to the Company contained herein includes reference to its subsidiary, as applicable, in the context. This MD&A contains disclosure of material changes related to the Company occurring up to and including August 14, 2020.

Introduction

Eve & Co, through its wholly-owned subsidiary NMC, is a licence holder and seller of dried cannabis, cannabis plants and cannabis oil under the *Cannabis Act* (Canada) (the "***Cannabis Act***") and is the holder of a European Union Certificate of Good Manufacturing Practice from the Government of Upper Bavaria (*Regierung von Oberbayern*), Germany (the "**EUGMP certificate**").

The Company has had an approximately 220,000 square foot ("**sq. ft.**") greenhouse since 2016 licensed for the production, processing and sale of dried cannabis, cannabis plants and cannabis oil located in Strathroy, Ontario and has completed construction on, and received approval from Health Canada, of an additional 780,000 sq. ft. expansion, bringing total greenhouse capacity to approximately 1,000,000 sq. ft. See "Capital Resources".

Eve & Co is a publicly traded corporation with its head office located at 2941 Napperton Drive, Strathroy, Ontario, N7G 3H8. The Company is a reporting issuer in Alberta, British Columbia and Ontario. The Company was incorporated pursuant to articles of incorporation dated June 6, 2014 under the Ontario *Business Corporations Act* (the "**OBCA**"). On June 28, 2018, the Company, a capital pool company under the rules of the TSX Venture Exchange (the "**TSX-V**"), completed its qualifying transaction (the "**Qualifying Transaction**") with NMC, consisting of the acquisition of all the issued and outstanding common shares of NMC (the "**NMC Common Shares**") by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. In connection with the Qualifying Transaction, the Company changed its name from "Carlaw Capital V Corp." to "Eve & Co Incorporated" and completed a two-for-one stock split. As a result of the Qualifying Transaction, the former shareholders of NMC acquired control of the Company. On July 4, 2018, the common shares of the Company (the "**common shares**") commenced trading on the TSX-V under the symbol "EVE" and as of June 21, 2019, on the OTCQX Best Market in the United States under the symbol EEVVF.

Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, or by discussions of strategy are forward-looking statements. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include the following:

- the Company's reliance on licence and regulatory approvals to conduct its business as currently operated and as proposed;
- changes in laws, regulations and guidelines applicable to the Company and its subsidiaries;
- reliance on a single location of production;
- access to capital;
- borrowing risks and loan default;
- competition;
- limited operating history;
- risks inherent in an agricultural business;
- commodity price risks;
- fluctuating prices of raw materials;
- reliance on key inputs;
- vulnerability to rising energy costs;
- vulnerability to supply chain disruptions, major health issues or pandemics and COVID-19;

- global economic conditions;
- uncertain tax burdens;
- third party transportation;
- constraints on marketing products;
- retention and acquisition of skilled personnel;
- demand for product and negative consumer perception;
- meeting consumer demand;
- product liability;
- product recalls or returns;
- environmental regulations and risks;
- results of future clinical research;
- insurance coverage;
- regulatory or agency proceedings, investigations, inspections and audits;
- international expansion;
- reliance on sales to medical cannabis market in Germany and the European Union;
- litigation;
- fraudulent or illegal activity by employees, contractors and consultants;
- breaches of facility security or in respect of electronic documents;
- uninsurable risks;
- history of losses;
- intellectual property;
- financial performance of subsidiary;
- estimates or judgments relating to critical accounting policies;
- reliance on third-party vendors to provide services and technology;
- market price volatility and potential impact on share price;
- changes in effective tax rate;
- lack of analyst coverage;
- public company governance, compliance and reporting requirements;
- ability to declare dividends; and
- TSX-V restrictions on business.

Other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Eve & Co has attempted to identify important risks, uncertainties and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risks, uncertainties and factors that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Overview of the Company

Cannabis Licence Holder and EUGMP Certification

The Company's wholly-owned subsidiary, NMC, received its licence to produce, possess, ship, transport, deliver and destroy dried cannabis and cannabis plants, including live clippings and seeds on July 22, 2016 (the "**Licence**") under the *Marihuana for Medical Purposes Regulations*, and the Licence was subsequently transitioned to the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**") on August 24, 2016.

On June 22, 2018, Health Canada amended the Licence to permit the sale of dried cannabis and cannabis plants, and on September 14, 2018 to permit the production of cannabis oil. Effective October 17, 2018, NMC has been licensed to produce and sell cannabis under the *Cannabis Act* and accompanying *Cannabis Regulations* as this legal framework replaced the ACMPR.

On December 7, 2018, Health Canada amended the Licence to authorize the sale of dried and fresh cannabis products to provincial retailers and distributors, and authorized NMC's second packaging room as an operations area and second flowering room as a grow area.

On December 16, 2019, Health Canada further amended the Licence to permit the use of a third flowering room ("**Flowering Room #3**") as a grow area (which is 780,000 sq. ft.). On May 4, 2020, the Company announced its Licence had been further amended by Health Canada to permit a second processing area of 7,300 sq. ft. to dry and process the product from Flowering Room #3.

On March 6, 2020, the Company received notification that it had been issued its EUGMP Certificate.

On May 4, 2020, the Company announced an amendment to its Licence by Health Canada of a second processing area measuring 7,300 sq. ft., licensing eleven additional processing rooms for drying and processing cannabis from Flowering Area #3.

On July 6, 2020, Health Canada extended the Licence term to July 6, 2023. See "Risks and Uncertainties – Reliance on Licence and Regulatory Approvals to conduct its business as currently operated and as proposed".

On July 17, 2020, Health Canada approved an amendment to the Licence permit the sale of cannabis extracts, edibles and topicals. This licensing amendment will allow the Company to significantly expand its product offering beyond cannabis flower products to consumer markets. As at the date of this MD&A, Eve & Co has submitted four additional products' Stock Keeping Units ("SKUs") to Health Canada. These products are expected to be released in the third and fourth quarters of 2020.

Production Capacity

During 2019, Eve & Co increased its total greenhouse capacity to approximately 1,000,000 sq. ft. and thus increased overall production capacity. The construction of Flowering Room #3 was completed in August 2019 and licensed by Health Canada as a grow area in December 2019. This has enabled the Company to continue its production ramp-up to supply both domestic and global cannabis markets.

Canadian Adult-Use Market

The Company has arrangements for the supply of adult-use cannabis with the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Newfoundland and Labrador.

Canadian Medical Market

The Company also sells to medical patients through its agreement with an online medical cannabis platform. The medical sales partner provides the Company with the ability to provide its products to medical patients, without having to establish all elements of a cannabis for medical purposes sales channel (e.g. clinics, patients and call centres).

European Medical Market

The Company has received its EUGMP Certificate and has entered into four non-exclusive agreements to supply cannabis to the European medical cannabis market. The Company has obtained the requisite certification but will need to obtain export permits on a per shipment basis to fulfill its international supply obligations.

Brands and Products

Eve & Co, as a female-led company, has developed a female-oriented brand to elevate, empower and enhance the lives of women everywhere through stigma-free indulgence and self-care. The Company has launched dried flower and pre-rolled cannabis into the Saskatchewan, Manitoba, and Newfoundland & Labrador markets with the following strains: "the Adventurer," "the Advocate," "the Artist," "the Boss," "the Confidant," "the Creator," "the Dreamer," "the Enthusiast," "the Explorer," "the Free-Spirit," "the Hostess," "the Lover," "the Maker," "the Optimist," "the Performer," "the Romantic" and "the Yogi". The Company has also launched pre-rolled cannabis into the Ontario market with "the Boss" strain and expects to introduce more products into the Ontario market in 2020.

On January 31, 2020, the Company announced that it had entered into a letter of intent with ECS BioMed Inc. ("**Dr. Kerklaan Therapeutics**") to establish the exclusive right and license to manufacture, import and export, warehouse, package, advertise, market, distribute and sell the following products in Canada under the Dr. Kerklaan Therapeutics brand, under the Eve & Co brand, or as co-branded products under the Eve & Co and Dr. Kerklaan Therapeutics brands: Natural Cannabidiol ("**CBD**") Relief Cream, Natural CBD Relief Stick, Natural CBD Spray, Natural CBD Sleep Cream, Natural CBD Skin Cream, and Natural CBD Premenstrual Syndrome Cream.

On August 6, 2020, the Company announced a licensing agreement with Colio Estate Wines ("**Colio**") for the development of a premium cannabis-infused beverage for distribution by Eve & Co and licensing of Colio's Girls' Night Out brand. The Company expects to introduce its co-branded infused beverage products to the adult-use cannabis market later this year.

For the Three and Six Months Ended June 30, 2020

Operational Highlights

- The Company recognized gross sales of cannabis to the adult-use and wholesale markets of $1.3 million and $1.8 million, respectively, for the three and six months ended June 30, 2020;

- On March 6, 2020, the Company announced that it had received its EUGMP Certificate;

- On April 2, 2020, the Company announced that it had made its initial sales to Canadian medical cannabis patients through its agreement with Cannalogue (1961627 Ontario Corp., doing business as Cannalogue) entered into on March 9, 2020; and

- On May 4, 2020, the Company announced the amendment to its Licence by Health Canada of a second processing area of 7,300 sq. ft. which will permit the Company to create eleven additional processing rooms required to dry and process the product from Flowering Area #3.

Corporate Activities

- On March 30, 2020, the Company announced the departure of Landon Roedding as the Chief Financial Officer ("**CFO**") and the appointment of Rory Taylor as Interim CFO; and

- On April 1, 2020, the Company announced the appointment of Yasir Naqvi, former Attorney General of Ontario, to its Board of Directors and the resignations of Clark Moeller, Shari Mogk-Edwards and Alice Murphy;

Subsequent Events

- On July 6, 2020, Health Canada extended the Licence term to July 6, 2023. See "Risks and Uncertainties – Reliance on Licence and Regulatory Approvals to conduct its business as currently operated and as proposed";

- On July 17, 2020, Health Canada approved an amendment to the Licence granting the sale of cannabis extracts, edibles and topicals. This licensing amendment will allow the Company to significantly expand its product offering to consumer markets. It has submitted four additional products' Stock Keeping Units ("SKUs") to Health Canada. These products are expected to be released in the third and fourth quarters of 2020; and

- On August 6, 2020, the Company announced a licensing agreement with Colio in respect of its Girls' Night Out brand, creating a partnership of "sister brands". The agreement contemplates developing a premium cannabis-infused beverage for distribution by Eve & Co and licensing of Colio's Girls' Night Out Brand. The term of the agreement is for an initial three year period with a two year option in favour of NMC and contemplates licensing royalties.

Detailed Financing Activities

Construction Facility

During 2019, NMC entered into a Construction Facility with a Lender to fund the completion of the 780,000 sq. ft. expansion. Interest on the Construction Facility was to float at a rate of 1.00% per annum above the Lender's prime lending rate, which was 3.95% per annum. The obligations under the Construction Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC's property located in Strathroy. During 2019, NMC drew $18,700,000 under the Construction Facility. On December 31, 2019, the Lender replaced the Construction Facility with the Loan Facility. This Loan Facility has a 217-month term and bears interest at the same rate as the Construction Facility.

Private Placement of Special Warrants

On May 10, 2019 (the "**Closing**"), the Company completed a private placement of special warrants comprised of 20,900,000 special warrants of the Company (the "**Special Warrants**"), at a price of $0.50 per Special Warrant for aggregate gross proceeds of $10,450,000 (the "**Special Warrant Offering**").

Each Special Warrant was exercisable into one (1) unit of the Company (a "**Unit**"), for no additional consideration, at any time after the Closing, and each Special Warrant was deemed to be exercised on September 11, 2019. Each Unit consisted of one (1) common share and one (1) 2019 Warrant. Each 2019 Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 until May 10, 2021. The 2019 Warrants began trading on September 12, 2019 under the symbol EVE.WT on the TSX-V.

In consideration for its services, the underwriter received a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering of $731,500 and was issued 1,463,000 compensation special warrants ("**Compensation Special Warrants**") equal to 7% of the number of Special Warrants sold in the Special Warrant Offering. Each Compensation Special Warrant was deemed to be exercised into one (1) compensation option (a "**2019 Compensation Option**"), for no additional consideration on September 11, 2019. Each 2019 Compensation Option entitles the holder thereof to purchase one common share at an exercise price of $0.50 until May 10, 2021.

Selected Financial Information

The following selected financial information has been derived from the Quarterly Financial Statements:

	Three Months ended		Six Months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	$	$	$	$
Revenue	1,325,457	454,701	1,791,873	2,178,829
Excise Taxes	(49,864)	(20,071)	(141,090)	(36,573)
Inventory Production Costs Expensed to Cost of Sales	(971,690)	(259,053)	(1,093,704)	(1,159,012)
Gross Margin before the undernoted	303,903	175,577	557,078	983,244
Fair Value adjustments and inventory write-downs	1,483,250	1,613,712	1,610,207	1,270,925
Gross Margin	1,787,152	1,789,289	2,167,285	2,254,169
Operating Expenses	(1,779,249)	(1,439,981)	(3,956,782)	(2,738,987)
Other income	11,047	14,247	28,643	24,058
Net Comprehensive Income (Loss) before income taxes	18,951	363,555	(1,760,854)	(460,760)

Results of operations for the three and six months ended June 30, 2020 and June 30, 2019

During the three and six months ended June 30, 2020, the Company realized a net comprehensive income before income taxes of $18,951 and incurred a net comprehensive loss before income taxes of $1,760,854, respectively (three and six months ended June 30, 2019: net comprehensive income before income taxes of $363,555 and net comprehensive loss before income taxes of $460,760, respectively).

Revenue

The Company generated revenue of $1,325,457 and $1,791,873, respectively, during the three and six months ended June 30, 2020 (three and six months ended June 30, 2019: $454,701 and $2,178,829). The decrease in revenue from the comparative six month period is as a result of there being non-recurring bulk sales of $2,028,952 to one customer in the six months ended June 30, 2019. The sales in the six months ended June 30, 2020 were to multiple customers.

Excise Taxes

The Company expensed excise taxes of $49,864 and $141,090 during the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019: $20,071 and $36,573, respectively). With effect from October 17, 2018, the Canada Revenue Agency began levying an excise tax on the sale of medical and consumer cannabis products. The Company would become liable for these excise duties when its cannabis products are delivered to the customer. The excise taxes expensed for the three and six months ended June 30, 2020 and 2019 reflect the calculation of the taxes on the revenues for those periods.

Inventory Production Costs Expensed to Cost of Sales

The inventory production costs expensed to cost of sales represents the cash component of the cost of inventory sold during the period, matched to the revenue recognized by the sale of that product. During the three and six months ended June 30, 2020, the Company recognized inventory production costs expensed to cost of sales of $971,690 and $1,093,704, respectively (three and six months ended June 30, 2019: $259,053 and $1,159,012, respectively). The decrease in the six months period is reflective of the decrease in inventory sold and recognized as revenue as against the comparative period.

These inventory production costs exclude the fair value adjustments as detailed below and are primarily comprised of costs of the inventory sold in the period and the direct and indirect costs of shipping and fulfillment including labour-related costs, materials, shipping costs, customs and duties, utilities, facilities costs, and shipping and related amortization.

Fair Value Adjustments and Inventory Write-Down

This comprises the realized fair value amounts included in inventory sold, the unrealized fair value gain on changes in biological assets and the inventory write-down.

The category "Realized Fair Value Amounts Included in Inventory Sold" represents the fair value less cost to sell recognized during the biological transformation process related to cannabis sold during the period. During the three and six months ended June 30, 2020 the Company recognized realized fair value amounts included in inventory sold of $359,121 and $456,778, respectively (three and six months ended June 30, 2019 – $223,392 and $1,485,453, respectively). These costs align with the revenues in the corresponding periods.

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, the harvest is adjusted to full fair value based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Cannabis which has been harvested is transferred to inventory at the full fair value less costs to sell. Additional costs incurred post-harvest related to quality control and other finishing costs are capitalized to inventory until such time that the cannabis is ready for sale and recorded as finished goods inventory.

During the three months and six months ended June 30, 2020, the Company recognized unrealized gains of $3,337,271 and $3,561,884, respectively (three and six months ended June 30, 2019 – $3,569,506 and $6,134,472, respectively) related to fair value changes in the biological assets. During both the three and six months ended June 30, 2020, the Company recognized an inventory write-down of $1,494,900 (three and six months ended June 30, 2019 – $1,732,402 and $3,378,094, respectively) as a result of an overall reduction in prices realized on sales completed.

The biological assets and inventory of the Company as at June 30, 2020 were valued at $3,406,993 and $9,289,693, respectively (December 31, 2019: $1,316,690 and $6,401,037, respectively). Once harvested, the cannabis plants produced are transferred to inventory. The increase in inventory in the six months ended June 30, 2020 is due to the ramp-up in production required to fulfill expected domestic and international sales contracts.

Gross Margin

Gross margin for the three and six months ended June 30, 2020 was $1,787,152 and $2,167,285, respectively (three and six months ended June 30, 2019 – $1,789,289 and $2,254,169, respectively). Please see the changes in revenue, excise taxes, inventory production costs expensed to cost of sales and fair value adjustments and inventory write-downs to account for the year-on-year difference in gross margin.

Operating Expenses

During the three and six months ended June 30, 2020, total operating expenses were $1,779,249 and $3,956,782, respectively (three and six months ended June 30, 2019: $1,439,981 and $2,738,987, respectively).

The increase in operating expenses – amortization, general and administration, management wages and operating labour – in the three and six months ended June 30, 2020 as compared to the three and six months ended June 30, 2019 is primarily due to increasing operational activity to support the ramp-up in production. Changes in certain other individual categories of operating expenses are highlighted below.

For the three and six months ended June 30, 2020, the Company's consulting and contract work costs were $3,500 and $148,724, respectively (three and six months ended June 30, 2019: $108,883 and $150,632, respectively). The decrease is primarily due to various non-recurring consulting costs that the Company incurred in the first six months of 2019 being different in nature and scope to those incurred in the first six months of 2020.

For the three and six months ended June 30, 2020, the Company's total finance expense amounted to $194,240 and $348,333 (three and six months ended June 30, 2019: $11,464 and $621,246, respectively). Finance expenses for all periods in 2020 and 2019 are shown net of borrowing costs capitalized to property, plant and equipment. They do however include interest on the Loan Facility and Promissory Notes (see "Transactions with Related Parties" section below) during 2020 and interest charges on the convertible debentures expensed to the date of their full conversion in March 2019 as well as interest on the Promissory Notes in 2019.

For the three and six months ended June 30, 2020, the Company's professional fees were $342,836 and $759,338, respectively (three and six months ended June 30, 2019: $398,730 and $549,619, respectively). The increase is primarily due to increased corporate activity experienced in the first half of 2020 as compared to the first half of 2019.

For the three and six months ended June 30, 2020, the Company's stock-based compensation expenses were $388,401 and $1,122,424, respectively (three and six months ended June 30, 2019: $335,020 and $486,250, respectively). The increase is primarily due to non-cash expenses being recognized on stock options with accelerated vesting terms in the first quarter of 2020.

Other Income

During the three and six months ended June 30, 2020, total other income was $11,047 and $28,643, respectively (three and six months ended June 30, 2019: $14,247 and $24,058, respectively).

Selected Quarterly Information

The following table sets out selected quarterly results of the Company for each of the eight most recently completed quarters. The information contained herein is drawn from the financial statements of the Company for each of the aforementioned eight quarters, which were prepared in accordance with IFRS.

	June 30, 2020 (Unaudited) $	March 31, 2020 (Unaudited) $	December 31, 2019 (Unaudited) $	September 30, 2019 (Unaudited) $
Total Revenue and other income	1,286,640	392,785	654,249	951,522
Net (loss) income and comprehensive (loss) income	18,951	(1,779,805)	(3,115,693)	(1,957,001)
Basic and diluted (loss) gain per-share	0.00	(0.01)	(0.01)	(0.01)
Total Assets[(2)]	55,492,268	55,061,761	56,704,993	56,781,945
Total non-current financial liabilities[(3)]	Nil	Nil	Nil	Nil
Distributions or cash dividends declared	Nil	Nil	Nil	Nil
	June 30, 2019 (Unaudited) $	**March 31, 2019 (Unaudited) $**	**December 31, 2018 [(1)] (Unaudited) $**	**October 31, 2018 (Unaudited) $**
Total Revenue and other income	448,877	1,717,437	484,777	7,124
Net (loss) Income and comprehensive (loss) income	363,555	(997,315)	1,490,347	(3,450,296)
Basic and diluted (loss) gain per-share	0.00	(0.00)	0.01	(0.02)
Total Assets[(2)]	48,047,989	28,671,499	23,488,377	21,010,240
Total non-current financial liabilities[(3)]	Nil	Nil	3,346,099	3,278,553
Distributions or cash dividends declared	Nil	Nil	Nil	Nil

Notes:

(1) The December 31, 2018 quarter reflects the two-month period then ended.

(2) As at December 31, 2019, construction in progress was $35,039,218 (December 31, 2018: $10,636,318) reflecting assets not yet available for use. These inactive assets became ready for their intended use on February 7, 2020 and have been amortized since then. The increase in construction-in-progress in 2019 resulted from the construction expenses incurred related to the expansion of the Company's facilities.

(3) At June 30, 2020, the current portion of the loan facility was $18,647,831. At December 31, 2019, the current portion of the Loan Facility was $18,700,000. At December 31, 2018, the long-term portion of the convertible debentures was $3,346,099. This portion was converted into Common Shares on March 27, 2019.

Liquidity and Going Concern

As at June 30, 2020, the Company had a working capital deficit of $9,325,413 (December 31, 2019: working capital deficit of $9,137,381).

Cash used by operating activities during the three and six months ended June 30, 2020 was $2,274,257 and $4,774,963, respectively (three and six months ended June 30, 2019 – $2,075,282 and $3,197,971, respectively). The increase in cash used in operating activities is primarily as a result of scaling up operations and investing in working capital.

Cash used by investing activities during the three and six months ended June 30, 2020 was $60,731 and $1,230,857, respectively (three and six months ended June 30, 2019 – $8,307,508 and $8,428,364, respectively). The decrease in cash used for investing activities is mainly related to the capital investment in the Company's facility expansion (Flowering Room #3) occurring during 2019; Flowering Room #3 became ready for use on February 7, 2020 and capital investment has been minimal since that date.

Cash used by financing activities during the three and six months ended June 30, 2020 was $168,422 and $430,334, respectively (three and six months ended June 30, 2019 – cash provided by financing activities of $19,887,961 and $25,481,703, respectively). The cash used by financing activities in 2020 represents repayments of interest and capital under the loan facility.

The cash provided by financing activities in the three months ended June 30, 2019 represented draws of $3,948,081 under the construction facility, $6,352,290 of net proceeds from common share issuances, $10,450,000 from the issuance of the Special Warrants and $862,410 of share and debt issuance costs. The cash provided by financing activities in the six months ended June 30, 2019 represented draws of $9,427,347 under the construction facility, $6,616,766 of net proceeds from common share issuances, $10,450,000 from the issuance of the Special Warrants, $862,410 of share and debt issuance costs and $150,000 of promissory note repayments.

Going Concern

The Quarterly Financial Statements have been prepared in compliance with IFRS as issued by the IASB in accordance with the going concern assumption, which assumes the Company will be able to continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company realized a net income of $18,951 and incurred a net loss of $1,760,854, respectively, for the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 – net income of $363,555 and a net loss of $663,760, respectively) and has a working capital deficit of $9,325,413 as at June 30, 2020 (December 31, 2019 – working capital deficit of $9,137,381).

These factors may lend significant doubt to the Company's ability to continue as a going concern. The Company's ability to realize its assets and discharge its liabilities is dependent upon its ability to continually refinance current obligations and/or raise additional financing and, ultimately, achieve profitable operations.

Although management is assessing various opportunities for debt or equity financing and/or refinancing and has continued to pursue cash-generating sales opportunities to increase profitability, there are no assurances that the Company will be successful and there may be an adverse effect on the financial position of the Company should these efforts be unsuccessful. The Quarterly Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Those adjustments may be material. Refer to "Financial Risk – Liquidity Risk".

Contractual Obligations and Commitments

As at June 30, 2020, the payments due by period are set out in the following table:

Time period	In one year	1-2 years	2-3 years	3-4 years	4-5 years	Total
Loans and Borrowings	18,647,831	-	-	-	-	18,647,831
Promissory Notes	914,225	-	-	-	-	914,225
Amount	$ 19,562,056	$ -	$ -	$ -	$ -	$ 19,562,056

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at June 30, 2020, the Company had a cash balance of $1,042,011 and current liabilities of $25,104,770 (December 31, 2019 - $7,478,165 and $25,679,065 respectively).

The Company has incurred operating losses and negative cash flows from operations in the six months ended June 30, 2020 and the year ended December 31, 2019. The Company's outstanding Construction Loan has been converted into a 217-month Loan Facility.

NMC is required to maintain a minimum debt service coverage ratio (the "**ratio**") on an annual basis and meet certain reporting requirements relating to NMC's financial results. The ratio is calculated using non-IFRS measures. Should NMC fail to meet any of these covenants, the Lender may exercise its option to demand repayment of the Loan Facility or may issue a waiver of the applicable covenant ("**waiver**") to NMC.

As at December 31, 2019, NMC did not achieve the ratio requirements of the Lender. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding was classified within Current Liabilities as at December 31, 2019.

The obligations under the Loan Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC's property located in Strathroy.

Management is of the belief that neither the Loan Facility nor the Promissory Notes will need to be repaid within the next twelve months. During the six months ended June 30, 2020 and the year ended December 31, 2019, the Company experienced an increase in its inventory balance. The Company has assessed the valuation of its inventory and has concluded that the value is recoverable.

The Company may incur additional capital expenditures from time to time with respect to optional upgrades to its facilities.

Off-balance Sheet Arrangements

The land on which the Company's greenhouse facility is situated is subject to an option to purchase (the "**Lease-back Option**") held by Melinda Rombouts ("**Ms. Rombouts**"), the President and CEO of the Company, and David Burch ("**Mr. Burch**"), a director of NMC, and entered into on June 28, 2018. Upon exercise of the Lease-back Option and the payment of $826,000 by the Company to the option holders, the option holders must immediately grant the Company a lease over the land, with such lease: (i) being for a term of 20 years, with four 5-year renewals; (ii) having monthly net rent not exceeding $6,100 throughout the term and renewals; (iii) having such terms and conditions that are in form and substance satisfactory to the Company, acting reasonably; and (iv) having no terms or conditions that are materially unusual or adverse to the Company in the opinion of its board, acting reasonably. The Lease-back Option may not be exercised, however, until NMC obtains all requisite regulatory approvals required for a change of ownership of the land, as may be required from time to time by Health Canada.

Transactions between Related Parties

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Any transactions with such parties are conducted at arm's length and in the normal course of operations.

	Three months ended		**Six months ended**	
	June 30 2020	June 30 2019	**June 30 2020**	June 30 2019
Share Based Compensation	**$ 265,095**	$ 159,731	**$ 839,503**	$ 257,231
Salaries and Fees	**169,093**	53,337	**390,187**	183,297
Total	**$ 434,188**	$ 213,068	**$ 1,229,690**	$ 440,528

During both the three and six months ended June 30, 2020, 1,900,000 options to purchase common shares at a fair value of $105,800 were granted to the officers and directors of the Company (three months ended June 30, 2019 – 6,500,000 common shares with a fair value of $1,878,500; six months ended June 30, 2019 – 7,000,000 common shares with a fair value of $1,976,000; year ended December 31, 2019: 7,000,000 common shares with a fair value of $1,976,000).

Ms. Rombouts and Mr. Burch are also the holders of promissory notes (the "**Promissory Notes**") issued by NMC with an aggregate principal amount of $976,000, of which $150,000 was repaid on March 29, 2019 as per the terms of the notes with the remainder of such principal becoming due and payable within 30 days of demand.

In connection with the Company entering into the $18,700,000 Construction Facility on March 19, 2019, Ms. Rombouts and Mr. Burch agreed to a postponement of their right to demand repayment of the Promissory Notes until such time as all the obligations owed to the Lender have been repaid. These Promissory Notes bear interest at 5% per annum, calculated monthly.

As at March 31, 2020 the amount owing to Ms. Rombouts and Mr. Burch collectively is $826,000 of the principal amount and $88,225 of accrued interest (December 31, 2019 – $826,000 and $67,575 respectively).

See "Off-balance sheet arrangements" regarding the Lease-back Option.

Financial Risk

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is developed and executed by the Company's management team and overseen by the Audit Committee pursuant to policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Interest Rate Risk

The Company's exposure to interest rate risk is primarily related to its loans and borrowings with variable interest rates. As at June 30, 2020, a 1% increase in the prime lending rate would result in approximately $186,000 higher interest payments on an annual basis.

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables. As at June 30, 2020, the Company was exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

Cash is held by a credit union in Canada primarily in deposit accounts. No losses have been incurred historically in relation to cash held by this financial institution. The accounts receivable balance is comprised of an established customer base domiciled in Canada. The Company mitigates this risk by managing and monitoring the underlying business relationships with its customers.

The carrying amount of cash, other receivables and accounts receivables represents the maximum exposure to credit risk, and as at June 30, 2020, this amounted to $3,035,279.

(iii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at June 30, 2020, the Company had $1,042,011 of cash. The Company manages its liquidity risk by planning, budgeting and forecasting cash flows from its operations and anticipating any investing and financing activities to meet various contractual and other obligations.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to $5,542,714 due in the next 12 months. Further the Company has an outstanding Loan Facility of $18,647,831 and Promissory Notes with a principal amount of $826,000 plus accrued interest of $88,225.

The Company's outstanding Loan Facility and Promissory Notes may be due on demand and there is no certainty as to when those debts may be called. Management is continuing to work with the lender of the Loan Facility to meet the reporting and covenant requirements of the Loan Facility, and is actively involved in the review, planning and approval of significant expenditures and commitments. Management believes that neither the Loan Facility nor the Promissory Notes will need to be repaid in the next twelve months.

The Company has both incurred operating losses and experienced negative cash flows from operating activities in the six months ended June 30, 2020 and the year ended December 31, 2019. The Company has a working capital deficit of $9,325,413 as at June 30, 2020 (December 31, 2019 – working capital deficit of $9,137,381).

As at March 31, 2020 the Company had inventory of $9,289,693 (December 31, 2019 - $6,401,037). The Company has assessed the valuation of its inventory and concluded that the value is recoverable.

The carrying values of cash, accounts and other receivables, accounts payable and accrued liabilities, loans and borrowings and promissory notes approximate their fair values due to their short term to maturity.

The carrying values of the financial instruments as at June 30, 2020 are summarized in the following table:

	Amortized cost	Financial assets designated as FVTPL	Totals
Assets			
Cash	$ -	$ 1,042,011	$ **1,042,011**
Other receivables and prepaid expenses	569,340	-	**569,340**
Accounts Receivable	1,423,928	-	**1,423,928**
Liabilties			
Accounts Payable and Accrued Liabilities	5,542,714	-	**5,542,714**
Loans and Borrowings	18,647,831	-	**18,647,831**
Promissory Notes	914,225	-	**914,225**

(iv) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates and commodity and equity prices.

The Company's functional and reporting currency is the Canadian dollar and a majority of its purchases as well as sales are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following market risk movements are reasonably possible over a twelve-month period, but do not materially impact the operations or the liquidity of the Company as:

(i) the Company's cash balances are not exposed to material interest rate risk; and

(ii) the Company does not hold any material balances receivable or payable in foreign currencies to give rise to exposure to foreign exchange risk.

Risks and Uncertainties

Commercial cannabis production is a nascent industry in Canada and relies on, among other things, obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its cannabis business will not result in profitable operations. There are a number of risk factors that could cause future results to differ materially from those described herein. The following sets out the principal risks faced by the Company. The risks and uncertainties described below are not the only ones that the Company faces.

Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of these risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly.

Reliance on Licence and Regulatory Approvals to conduct its business as currently operated and as proposed

The Company's ability to grow and store cannabis in Canada is dependent on maintaining its Licence with Health Canada. Failure to comply with the requirements of the *Cannabis Act*, its Licence or any failure to maintain its Licence would have a material adverse impact on the business, financial condition and operating results of Eve & Co. Although Eve & Co believes that NMC will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the authorities will issue or renew these licenses or authorizations. Should the authorities fail to issue or renew the necessary licences or authorizations, Eve & Co may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the proposed additional development of its operations and the business, financial condition and operational results of the Company may be materially adversely affected. The Licence has been renewed until July 6, 2023.

Before the end of the term of the Licence, Eve & Co will be required to submit an application for renewal to Health Canada. There can be no guarantee that Health Canada will extend or renew the Licence as necessary or, if it extended or renewed, that the Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence, or should it extend or renew the Licence on different terms, the business, financial condition and operational results of the Company would be materially adversely affected.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis as well as laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Eve & Co's management, the Company is currently in compliance with all such laws, regulations and guidelines, any changes to such laws, regulations and guidelines due to matters beyond the control of Eve & Co may have an adverse effect on the Company's operations and its financial condition.

Furthermore, the legal regime surrounding cannabis has been subject to various court challenges and changing government policies. This evolving legal regime presents a risk to Eve & Co in that legislators or a court may adopt changes that would have a negative impact on the business, financial condition or operational results of the Company. For example, judicial rulings or legislative changes that allow those without existing licences to possess and/or grow cannabis, allow others to opt out of the regulated supply system implemented through the *Cannabis Act* by growing their own cannabis, or legitimize illegal areas surrounding cannabis dispensaries, could significantly reduce the addressable market for the Company's products and could materially and adversely affect its business, financial condition and operational results.

In addition, the *Cannabis Act* was brought into force in 2018. Apart from creating the legal market for recreational cannabis, the *Cannabis Act* and the regulations promulgated thereunder may significantly impact the laws and regulations governing the Company's operations. The industry is also subject to extensive controls and regulations which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including under the *Cannabis Act* and related regulations and those relating to taxes and other government levies which may be imposed. Changes in the regulatory regime governing the production, processing and sale of cannabis and cannabis products could increase compliance costs for Eve & Co and could make the Company's operations uneconomic. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments unachievable or the Company's operations uneconomic, and the potential impact of any of such changes is highly uncertain and fact dependent.

Reliance on a Single Location

To date, Eve & Co's activities and resources are focused on the premises in Strathroy, Ontario. The Company expects to continue to focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility and location could have a material and adverse effect on the Company's ability to continue producing cannabis, its business, financial condition and prospects.

The location of Eve & Co's existing facility is also subject to a Lease-back Option. If such Lease-back Option is exercised, the Company will become subject to risks associated with the landlords adhering to the terms of the lease.

Access to Capital

In executing its business plan, the Company makes, and may continue to make, further investments and other expenditures related to its facilities, research and development and business and marketing initiatives. The continued development of the Company may require additional financing. Since its incorporation, Eve & Co has financed these expenditures through offerings of its equity securities and debt financings. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of business opportunities that may be presented to it.

Furthermore, the Company may incur major unanticipated liabilities or expenses. Eve & Co can provide no assurance that it will be able to obtain financing or raise funds on favourable terms to meet the working capital or growth needs of the Company. If additional funds are raised through issuances of equity or convertible securities, existing shareholders could suffer significant dilution and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. Any debt financing may be subject to restrictive covenants related to capital raising, financial and / or operational matters, which may make it difficult for Eve & Co to obtain additional financing or conduct its business. Debt financings may also contain provisions which may, if breached, entitle lenders to acceleration of debt repayment and there is no assurance that the Company would be able to pay in such circumstances.

Borrowing Risks and Loan Default

The obligations under the Loan Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC's property located in Strathroy. The Loan Facility imposes covenants and obligations on the part of Eve & Co and NMC. In particular, the Loan Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the facilities, the Lender realizing on its security, or diminished availability of refinancing alternatives or increase in the associated costs thereof.

As at the date of this MD&A, Eve & Co is not in compliance with the covenants contained in the Loan Facility. Although the Company has received a waiver from the Lender for the year ended December 31, 2019, there is no assurance that the Company will continue to receive further waivers from the Lender.

There is also no assurance that the Company will be able to be in compliance with these covenants in the future due to unforeseen events or circumstances, some of which are outlined in this "Risks Factors" section. If the Loan Facility is not subsequently renewed or replaced, or if renewed or replaced on more onerous terms, or NMC defaults under the Loan Facility, the Company's business, financial condition and operational results would be materially adversely affected.

Competition

The Company faces intense competition from other cannabis licence holders. Some of those competitors have longer operating histories and more financial resources and manufacturing and marketing experience than Eve & Co. Increased competition by larger and better financed competitors could materially and adversely affect the Company's business, financial condition and operational results. In order to mitigate this intense competition, Eve & Co has dedicated, and expects to continue to dedicate, significant resources to hiring consultants and employees to provide services related to branding, brand and business expansion, product development, customer procurement, public and media relations and trade shows. However, to remain competitive, the Company will require a continued level of investment in such business development activities and may not have sufficient resources to fund expenses on a competitive basis which could materially and adversely affect its business, financial condition and operational results.

The ultimate number of licences granted by Health Canada for various classes of licences under the *Cannabis Act* could have a negative impact on the operations of Eve & Co. Because of the early stage of the industry in which the Company operates, Eve & Co expects to face additional competition from new entrants.

As of October 17, 2019, Schedule 4 of the *Cannabis Act* was amended to add edible cannabis, cannabis extracts and cannabis topical products as permitted classes of cannabis. The new classes of cannabis permit the introduction of additional methods of producing, selling and consuming cannabis, which may supplant existing consumption formats. Despite the fact that the Company currently has plans to expand into such new markets, the current market share of Eve & Co may be threatened by new cannabis product formats providing consumers with additional alternatives to the Company's product line up.

In addition, synthetic substitutes for cannabinoids are being developed to reproduce the effects of cannabis which may displace the existing and potential cannabis market. Such synthetic substitute may be less costly to produce, market and sell and may threaten the competitiveness of Eve & Co's business.

Limited Operating History

Eve & Co entered into the cannabis industry upon the submission of its Licence application in October 2013 and only initiated sales of its products beginning in December 2018. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, lack of revenues, operational challenges, ability to secure Canadian and international customers and limitations with respect to personnel, financial, and other resources. There is no assurance that the Company will be successful in achieving a return on its shareholders' investment and the likelihood of success must be considered in light of the early stage of the Company's operations.

Risks Inherent in an Agricultural Business

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

Commodity Price Risks

Cannabis is a development market and is likely subject to volatile and possibly declining commodity prices year-on-year as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There is no assurance that price volatility will be favourable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate. An adverse change in cannabis prices, or in investors 'beliefs about trends in those prices, could have a material adverse effect on the Company's operations and the trading price of the Company's shares.

Fluctuating Prices of Cannabis Production and Sales

Eve & Co's revenues will, in large part, be derived from the production, sale and distribution of cannabis. The price of the production, sale and distribution of cannabis will fluctuate widely due to the evolving nature of the cannabis industry and is affected by numerous factors beyond the Company's control including international, economic and political trends, taxation, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of the product produced by Eve & Co and, therefore, the economic viability of the Company's business, cannot accurately be predicted.

Reliance on Key Inputs

Eve & Co's growing operations are dependent upon a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company.

Some of these inputs may only be available from a single supplier or a limited group of suppliers. Any inability to secure the required supplies and services or to do so on appropriate terms could have a materially adverse impact on its business, financial condition and operating results.

Vulnerability to Supply Chain Disruptions, Major Health Issues, Pandemics and COVID-19

Eve & Co and its suppliers may be affected by, among other things, disruptions related to major health issues or pandemics, including increases in labour and fuel costs, labour disruptions, regulatory changes, political or economic instability or civil unrest, trade restrictions, tariffs, transport capacity and costs and other factors relating to trade disruptions. In particular, major health issues and pandemics may impact commerce and travel and may adversely affect trade and global and local economies.

The continued outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed isolation or quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, the Company may experience labour shortages or disruptions, and the potential inability to operate its facility at full capacity or at all as a result of directions from national, provincial, or local health authorities. The closure of borders and the implementation of travel bans may adversely affect the Company's ability to proceed with its international expansion, including shipping product to the German medical cannabis market.

On March 17, 2020, the Government of Ontario declared a state of emergency due to the COVID-19 pandemic, pursuant to Order in Council 518/2020 (Ontario Regulation 50/20) made in terms of the Emergency Management and Civil Protection Act. As of April 4, 2020, the Government of Ontario ordered cannabis retail stores within the Province of Ontario to close for a period of at least two weeks. However, the order was modified on April 7, 2020 to permit cannabis retail stores to offer delivery and curbside pick-up. On July 7, 2020, the Government of Ontario announced that private cannabis retailers could no longer provide delivery and curbside pick-up services effective 11:59 p.m. on Thursday, July 23. However Ontario cannabis retailers continue to be permitted to offer "click and collect" services for the sale of cannabis for in-store pick up.

Given the ongoing and dynamic nature of the coronavirus outbreak, it is difficult to predict the impact it will have on the Company's business. Such factors are beyond the Company's control and may cause disruptions to the Company's suppliers and the Company's ability to operate its business. Such an outbreak, if uncontrolled, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Global Economic Conditions

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult, and in general, negatively impacts overall share prices and market conditions. Global equity markets have experienced significant volatility and weakness as a result of the coronavirus outbreak. Such volatility and weakness in the global economy and equity markets more specifically may adversely affect the Company's ability to raise necessary capital.

Vulnerability to Rising Energy Costs

Eve & Co's growing operations consume energy, making the Company's costs of operations vulnerable to rising energy costs. Rising or volatile energy costs may have a materially adverse impact on its business, financial condition and operating results.

Uncertain Tax Burdens

Tax regimes, including excise taxes and sales taxes, can disproportionately affect the price of Eve & Co's products, or disproportionately affect the relative price of the Company's products versus other cannabis products. Tax regimes based on sales price can place the Company at a competitive disadvantage in certain price-sensitive markets. As a result, the Company's volume and profitability may be adversely affected in these markets.

Third Party Transportation

Eve & Co relies on third party transportation services to distribute its products. These transportation services can cause logistical problems with, and delays in, customers obtaining their orders and cannot be directly controlled by the Company. Any delay by these third-party transportation services may adversely affect Eve & Co's financial performance. Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product.

A breach of security during transport could have material adverse effects on Eve & Co's business, financial condition and operating results. Any such breach could negatively impact the Company's ability to continue operating under its licenses or the prospect of renewing its licenses. Any prolonged disruption or rising costs of transportation services could have an adverse effect on the Company's business, financial condition and operating results.

Constraints on Marketing Products

The development of Eve & Co's business and operating results may be hindered by applicable restrictions on promotional, sales and marketing activities as imposed by Health Canada and some provincial governments. The cannabis regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries.

If Eve & Co is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's business, financial condition and operating results could be adversely affected.

Retention and Acquisition of Skilled Personnel

The success of Eve & Co is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and other skilled personnel (each, a "**Key Person**", and collectively, the "**Key Personnel**"). The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

The loss of the services of a Key Person, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on Eve & Co's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. Further, as a Licensed Producer, each Key Person must obtain a security clearance by Health Canada in order to act as Key Person. Under the *Cannabis Act* a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance.

There is no assurance that any of Eve & Co's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a Key Person to maintain or renew his or her security clearance, would result in a material adverse effect on Eve & Co's business, financial condition and operating results.

In addition, if a Key Person leaves Eve & Co, and the Company is unable to find a suitable replacement that has a security clearance required by the *Cannabis Act* in a timely manner, or at all, there could result a material adverse effect on the Company's business, financial condition and operating results. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

Demand for Product and Negative Consumer Perception

Eve & Co believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed in accordance with the *Cannabis Act*. Consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and internationally, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the 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 favorable than, or that question, earlier research reports, findings nor publicity could have a material adverse effect on the demand for Eve & Co's products and its business, operating results and financial condition.

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 any demand for Eve & Co's products and on its business, operating results of operations and financial condition.

Furthermore, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or Eve & Co's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from the consumers 'failure to consume such products legally, appropriately or as directed.

Meeting Consumer Demand

Eve & Co operates in an early-stage market which has a relatively small representation of Canadian cannabis consumers. Should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on its revenues and average price per gram.

Product Liability

As a developer and distributor of products designed to be ingested, inhaled or otherwise used and consumed by humans, Eve & Co faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damage, loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.

Adverse reactions resulting from human use of consumption of Eve & Co's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances.

A product liability claim or regulatory action against Eve & Co could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on its business, operating results and financial condition. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to renew or obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Eve & Co's potential products.

Product Recalls or Returns

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product or manufacturing defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Eve & Co's products are recalled due to an alleged product or manufacturing defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Eve & Co may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products and follows good production practices as required by the *Cannabis Act*, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of Eve & Co's brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of these reasons could lead to decreased demand for the Company's products and could have a material adverse effect on its business, operating results and financial condition. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention, potential legal fees and other expenses.

Environmental Regulations and Risks

Eve & Co's operations are subject to environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, approval and permitting requirements, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and tetrahydrocannabinol ("**THC**")) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC).

Although Eve & Co believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such articles and reports.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Eve & Co's products which could in turn have a material adverse effect on its business, operating results and financial condition.

Insurance Coverage

Eve & Co has placed insurance to protect its assets, operations, directors and employees. While the Company believes that its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which the Company is exposed.

In addition, no assurance can be given that such insurance will be adequate to cover Eve & Co's liabilities or will be generally available in the future or, if available, that premiums will be commercially economical and justifiable. The Company may be subject to liability for risks which cannot be insured or that it elects not to insure due to non-availability or commercially unacceptable terms for insurance premiums, exclusions or other factors.

If Eve & Co were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is unable to obtain liability insurance, there could be a material adverse effect on its business, operating results and financial condition.

Regulatory or Agency Proceedings, Investigations, Inspections and Audits

Eve & Co's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to awards of damages, fines, penalties or suspension or revocation of its Licence.

Eve & Co may become involved in regulatory, government or agency proceedings, investigations, inspections and audits. The outcome of any regulatory, government or agency proceedings, investigations, inspections, audits, and other contingencies could result in a suspension or of the Company's License, harm its reputation, require it to take, or refrain from taking, actions that could harm its operations or require the payment of substantial amounts of money, thereby harming its financial condition. There can be no assurance that any pending or future regulatory, government or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, operating results or financial condition.

International Expansion

Eve & Co intends to continue to expand its operations and business into jurisdictions outside of Canada, some of which are emerging cannabis markets, but there can be no assurance that any market for the Company's products will develop, or continue to develop, in any such foreign jurisdiction. The continuation – or expansion – into jurisdictions outside of Canada is contingent on the ability of the Company to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. The inability or delay in obtaining or renewing requisite permits, licenses or other approvals, or the revocation or substantial amendment of existing permits, licenses or approvals, could prevent the Company from continuing its operations in, or exports to, other countries.

Foreign operations in emerging cannabis markets may expose Eve & Co to new or unexpected risks or significantly increase exposure of the Company to one or more existing or new risk factors. Some governmental regulations in these emerging cannabis markets may require Eve & Co to award contracts in, employ citizens of, and/or purchase supplies from the jurisdiction. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, operating results and financial condition.

In addition, the international expansion of Eve & Co's business further subjects the Company to an increased number of laws and regulations domestically and internationally with respect to the flow of funds and products across international borders. The amount of medical cannabis for export may be limited by the various drug control conventions to which Canada is a signatory. While the Company continues to monitor developments and policies in the international markets of interest to the Company, such developments cannot be accurately predicted and could have an adverse effect on its business, operating results and financial condition.

The business may be affected by political and economic instability and risks including, but not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, and high rates of inflation. Changes in medical and agricultural development or investment policies or shifts in political viewpoints of certain countries may adversely affect the business. Operations may be affected to varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people, and water use. The effect of these factors cannot be accurately predicted.

The legal and regulatory requirements in the foreign countries in which Eve & Co intends to operate are expected to be different from those in Canada. The Company relies on international advisors and consultants in foreign jurisdictions in order to ensure the Company's compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, to assist with governmental relations and enhance the Company's understanding of and appreciation for the local business culture and practices. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the control of the Company. The impact of any such changes may adversely affect the Company's business, operating results and financial condition.

Reliance on Sales to Medical Cannabis Market in Germany and the EU

On March 6, 2020, the Company received notification that it had been issued its EUGMP Certificate, which is a significant step in fulfilling the Company's objective to selling its products into Germany and the EU.

Eve & Co anticipates making a significant portion of its cannabis sales to distributors in Germany who will distribute the Company's product to the medical cannabis market in Germany. Before the Company can sell its product to such distributors, there are various regulatory approvals, permits, and licenses that must be obtained by the Company and by such distributors from Canadian, German, European and local authorities. There is no assurance that Eve & Co or the distributors will be able to secure the necessary permits, licenses, or other approvals required. The inability to or any delay in obtaining the requisite permits, licenses, or other approvals, or the revocation or substantial amendment of such permits, licenses, or approvals could prevent the Company from operating in, or export to, Germany.

While the Company has non-exclusive supply agreements with three distributors in Germany, there is no assurance that any one of the distributors will fulfil or have an ability to fulfil its obligations under the applicable supply agreement. There is also no assurance that the demand for medical cannabis in Germany will develop to the level that will enable the German distributors to sell the quantities of the Company's products as set out in the supply agreements or at the anticipated prices contemplated by the Company and the distributors. The inability of any of the German distributors to fulfil its obligations under the applicable supply agreement could have a material adverse effect on the Company's business, financial conditions, results of operations and cash flows.

Litigation

Eve & Co 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 ability to continue operating, the value of the common shares and could utilize significant resources, available working capital and the time and attention of management, even if the Company is involved in litigation and wins. Litigation may also create a negative perception of the Company's brand.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

Eve & Co is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data.

It is not always possible for Eve & Co to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

If any such actions are instituted against Eve & Co, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on its business, operating results and financial condition.

Breaches of Facility Security or in Respect of Electronic Documents

Given the nature of Eve & Co's product and its lack of legal availability outside of channels approved by the Canadian Federal Government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft.

A security breach at Eve & Co's facilities could expose the Company to additional liability and potentially costly litigation, a revocation or suspension of its License, increased expenses relating to the resolution and future prevention of these breaches and may deter potential customers or patients from choosing the Company's products.

In addition, if Eve & Co sells directly to registered patients or customers, the Company may collect and store personal information about such individuals and would then be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Eve & Co's business, operating results and financial condition.

Uninsurable Risks

The Company may become subject to liability for pollution, certain fire and explosion events, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material adverse effect on the financial position of the Company.

History of Losses

Eve & Co has historically incurred losses. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not commence as anticipated to offset these expected increases in costs and operating expenses, it may not achieve profitability

Intellectual Property

The success of Eve & Co's business depends in part on its ability to protect its ideas and technology. The Company has no patented technology at this time, nor has it applied to register any patents. Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, there is no assurance that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources which may meaningfully impact the ability of the Company to successfully grow its business.

Financial Performance of Subsidiary

Eve & Co is a holding company that conducts its business through NMC which generates all revenues. As a result, the financial performance of the Company and its ability to meet financial obligations is dependent on the operating results and revenues of NMC, and the distribution of those earnings to Eve & Co. In the event of a liquidation or bankruptcy of NMC, lenders and trade creditors will generally be entitled to payment of their claims from the assets of NMC before any assets are made available for distribution to Eve & Co.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Eve & Co bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources.

Eve & Co's operating results may be adversely affected if these assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, thereby resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share-based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Reliance on Third-Party Vendors to Provide Services and Technology

Eve & Co relies on third-party vendors to provide critical services, including, among other things, services related to information technology, utilities, laboratory testing, and heating, ventilating and air conditioning that the Company cannot internally create or provide. The Company depends on these vendors to ensure that its corporate infrastructure will consistently meet business requirements. The ability of these third-party vendors to successfully provide reliable and high-quality services is subject to technical and operational uncertainties that are beyond the Company’s control.

While Eve & Co may be entitled to damages if its vendors fail to perform under their agreements, the Company’s agreements with these vendors will limit the amount of damages that may be received. In addition, the Company may be unable to collect any award of damages, or such damages may be insufficient to cover the actual costs incurred as a result of any vendors ’failure to perform under its agreement.

Any failure of the Company’s corporate infrastructure could have a material adverse effect on its business, operating results and financial condition. Upon expiration or termination of any of the Company’s agreements with third-party vendors, the Company may not be able to replace the services provided in a timely manner or on terms and conditions, including service levels and cost, that are favorable and a transition from one vendor to another vendor could subject the Company to operational delays and inefficiencies until the transition is complete.

Market Price Volatility and Potential Impact on Share Price

The trading price of Eve & Co’s common shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company’s control, including: quarterly variations in operating results; announcements of new products by the Company, its customers or competitors; changes in securities or independent analysts ’earnings estimates or recommendations; general fluctuations in the stock market; or revenue and operating results below the expectations of public market securities analysts or investors.

Any of these could result in a sharp decline in the market price of Eve & Co’s common shares. The internet offers various avenues for the dissemination of information. The Company has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company’s best interest or the best interests of its shareholders.

This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the common shares. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for cannabis companies in particular, including the market price of the Company’s common shares have been negatively affected over the past year. These broad market fluctuations may cause a decline in the market price of the common shares.

Changes in Effective Tax Rate

The Company’s future effective tax rate could be unfavorably affected by unanticipated changes in the valuation of its deferred tax assets and liabilities. Changes in the Company’s effective tax rate could have a material adverse impact on its operating results.

Lack of Analyst Coverage

The market for Eve & Co's common shares will depend in part on the research and reports that securities or industry analysts publish about the Company or its business. If one or more analysts downgrade the common shares, the share price would likely decline. If one or more analysts fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which could cause its share price or trading volume to decline.

Public Company Governance, Compliance and Reporting Requirements

As a public company, Eve & Co is subject to the reporting requirements of Canadian securities regulators, the listing requirements of the TSX-V and other applicable securities rules and regulations. Compliance with these rules and regulations may increase the Company's legal and financial compliance costs, may make some activities more difficult, time-consuming or costly and may increase the demand on the Company's systems and resources.

The Company may need to hire more employees in the future, which will increase its costs and expenses. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Eve & Co may invest to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and divert management's time and attention from revenue-generating activities to compliance activities.

Ability to Declare Dividends

Eve & Co does not currently intend to pay any cash dividends on its common shares in the foreseeable future. The Company's current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in the Company. The Company's dividend policy will be reviewed from time to time by the Board of Directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on their common shares unless they sell them.

TSX-V Restrictions on Business

As a condition to initially listing the common shares on the TSX-V pursuant to the Qualifying Transaction, the TSX-V required that Eve & Co deliver an undertaking (the "**Undertaking**") confirming that, while listed on TSX-V, Eve & Co will only conduct the business of the production, sale and distribution of cannabis in Canada pursuant to one or more licences issued by Health Canada in accordance with applicable law, unless prior approval is obtained from the TSX-V.

The Undertaking could have an adverse effect on Eve & Co's ability to do business or operate outside of Canada and on its ability to expand its business into other areas, if the Company is still listed on the TSX-V and remains subject to the Undertaking at such time. The Undertaking may prevent Eve & Co from expanding into new areas of business when some of Eve & Co's competitors may not have such restrictions. All such restrictions could materially and adversely affect the Company's growth, business, operating results and financial condition.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the Quarterly Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Quarterly Financial Statements and (ii) the Quarterly Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers 'Annual and Filings ("**NI 52-109**"), the certificate required for venture issuers (as such term is defined in NI 52-109) does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Quarterly Financial Statements for external purposes in accordance with the Company's IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate required pursuant to NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Critical Accounting Estimates

Refer to Note 4o of the audited consolidated financial statements for the year ended December 31, 2019.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares without par value, of which 287,867,172 are issued and outstanding as of the date hereof.

Options

The Company has adopted a stock option plan (the "**Option Plan**"). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase common shares for a period of up to ten years from the date of grant, provided that the number of common shares reserved for issuance may not exceed 10% of the total issued and outstanding common shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase up to 20,570,000 common shares are outstanding and options to purchase up to 8,216,717 common shares are available for grant.

Compensation Options

In connection with the Special Warrant Offering, the Company issued 1,463,000 Compensation Special Warrants. On September 11, 2019, all 1,463,000 Compensation Special Warrants were deemed to be exercised and the Company issued 1,463,000 2019 Compensation Options. As of the date of this MD&A, all 1,463,000 of these 2019 Compensation Options remain issued and outstanding.

Special Warrants

In connection with the Special Warrant Offering the Company issued 20,900,000 Special Warrants, which were each deemed exercised and converted into one common share and one 2019 Warrant on September 11, 2019. The 2019 Warrants commenced trading on the TSX-V under the ticker symbol EVE.WT on September 12, 2019. As of the date of this MD&A, 20,900,000 2019 Warrants remain outstanding.

Additional Disclosure for Venture Corporations

Set forth below is a breakdown of the major operational costs incurred by the Company for the following period:

	Six months ended June 30, 2020	Three months ended June 30, 2020
	$	$
Advertising & Promotion	25,672	2,465
Amortization	118,043	65,886
Consulting and contract work	108,883	3,500
Finance Expenses	348,333	194,240
General and Administration	660,253	465,839
Management Wages	390,187	169,093
Operating Labour	423,649	146,988
Professional Fees	759,338	342,836
Stock Based Compensation	1,122,424	388,401
Total Operating Costs	**$3,956,782**	**$1,779,249**

Additional information

Additional information relating to the Company is contained under the Company's SEDAR profile at www.sedar.com.

Approval

The Board of Directors of the Company has approved the disclosure in this MD&A.