



XANTHIC BIOPHARMA INC. (formerly Aurquest Resources Inc.)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Xanthic Biopharma Inc. (formerly Aurquest Resources Inc.) (“Xanthic” or the “Company” or the “Corporation”) was incorporated under Ontario Business Corporations Act. Xanthic was acquired by Xanthic Biopharma Limited in a reverse takeover transaction completed on December 15, 2017. The Company’s principal business activity is the licensing of technology to produce non-combustible medical cannabis products. The Company is in the development stage and has not yet earned any revenues and is focused on developing innovative non-combustible alternative delivery methods of cannabis infused products. Xanthic is a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary methods. The Corporation’s registered office is 77 King St. West Suite 2905, Toronto, Ontario, M5K 1H1.

This Management’s Discussion and Analysis (“MD&A”) has been prepared with an effective date of September 13, 2018 and provides an update on matters discussed in, and should be read in conjunction with the Corporation’s audited financial statements, including the notes thereto, as at and for year ended June 30, 2018 (the “2018 Audited Consolidated Financial Statements”), which have been prepared using International Financial Reporting Standards (“IFRS”). All amounts are in Canadian dollars unless otherwise specified. Tabular dollar amounts, unless otherwise specified, are in dollars, except for per unit or per share amounts. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management’s expectations. See the “Caution Concerning Forward Looking Statements” section in this MD&A.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may contain “forward-looking information,” within the meaning of applicable securities laws, including the “safe harbour provisions” of the Securities Act (Ontario) with respect to the Company. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe”, “plan”, “intend”, “estimate”, “expect”, or “anticipate”, and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would”, and “could” often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Corporation has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and state environmental laws; and the impact of increasing competition. These forward-looking statements are also subject to the risks and uncertainties discussed in the “Risks Factors” section of the CSE listing Statement as filed on SEDAR and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Corporation which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. The Corporation’s forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, the Corporation undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

GOING CONCERN ASSUMPTION AND EARLY STAGE CORPORATION

The Corporation was incorporated March 15, 2017. The Corporation's ability to continue as a going concern is dependent upon the ability to raise the necessary capital to finance development the Corporation's business strategy of a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary non-combustible methods. The 2018 Audited Consolidated Financial Statements do not give effect to any adjustments which would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. The amounts the Corporation may realize on the disposition of its assets or the discharging of its liabilities in other than the normal course of its business may be significantly different than the carrying value of these assets and liabilities as reflected in the 2018 Audited Consolidated Financial Statements.

OVERVIEW OF THE CORPORATION

Description of Business

Xanthic, through its wholly-owned operating subsidiary, Xanthic Biopharma Limited, provides valuable intellectual property to cannabis industry participants, enabling its strategic partners to produce high quality, innovative, non-combustible cannabis and cannabis-infused products. Using a proprietary process, Xanthic empowers its strategic partners to deliver superior cannabinoid solubility, improved bioavailability, accurate micro-dosing, and greater consistency versus competitive infused products. Through its investment in Xanthic Beverages, Xanthic has access to non-cannabis derived CBD-infused products that qualify for distribution outside of the cannabis dispensary network and into mainstream retail. Both business streams are capital-light, utilizing the existing infrastructure of strategic partners to reduce the capital investment required by Xanthic.

Recent Developments

Subsequent to June 30, 2018, on July 16, 2018 Xanthic and Green Growth Brands Ltd. ("GGB") announced they have entered into an arm's length business combination agreement (as amended by agreement between Xanthic and GGB dated August 30, 2018, the "Definitive Agreement") dated July 13, 2018 to combine Xanthic and GGB by way of amalgamation (the "Amalgamation") between GGB and a wholly-owned subsidiary of Xanthic ("Subco") to form one company as a wholly-owned subsidiary of Xanthic (the "Business Combination").

GGB is a lifestyle oriented, consumer products company that celebrates health, wellness and happiness. GGB is focused on the medicinal and recreational cannabis sector in both the United States and Canada and is the parent company of the CAMP brand. GGB is led by the widely-renowned retailer Peter Horvath. The Business Combination represents the initial step in GGB's strategy to grow its international footprint, through partnerships with cannabis cultivators and processors across Canada and the United States. While GGB's principal focus will be to build a retail network, it will leverage Xanthic's expertise in the science of tetrahydrocannabinol ("THC") and cannabidiol ("CBD"), the two key active ingredients in cannabis.

Following completion of the Business Combination, current shareholders of GGB will hold approximately 86% of the common shares (the "Resulting Issuer Shares") of the resulting issuer (the "Resulting Issuer") (excluding any Resulting Issuer Shares that become issuable pursuant to the terms of GGB's private placement of convertible debentures (the "Debenture Private Placement") and any subsequent GGB private placement of subscription receipts (the "Subscription Receipt Private Placement"). It is anticipated that the Resulting Issuer may operate under the name "Green Growth Brands Ltd." after effecting a name change (the "Name Change") with the Resulting Issuer Shares listed and posted for trading on the Canadian Securities Exchange (the "Exchange" or the "CSE"). Xanthic anticipates filing a management information circular or listing statement (the "Disclosure Document") detailing certain matters relating to the Business Combination and other related matters to be mailed to Xanthic shareholders. Trading in the common shares of Xanthic (the "Xanthic Shares") will be halted as a result of this announcement and will remain halted until the resumption of trading is approved by the Exchange. If completed, the Business Combination will constitute a fundamental change of Xanthic (as such term is defined in the CSE's policies and procedures manual).

Assuming the satisfaction of customary closing conditions, including the approval of Xanthic's shareholders, the Business Combination is expected to close in the fourth quarter of this year.

Xanthic and GGB also announced that GGB Nevada LLC ("GGB Nevada"), a wholly-owned subsidiary of Xanthic has entered into a purchase agreement (the "NOR Agreement") dated July 13, 2018 with Nevada Organic Remedies LLC ("NOR") and its members ("NOR Members") pursuant to which it will acquire (the "NOR Acquisition") 100% of the outstanding membership interests of NOR for aggregate consideration of US\$56,750,000 payable by a combination of cash and a promissory note. On July 16, 2018, Xanthic borrowed US\$2,000,000 from GGB pursuant to a promissory note with a due date of December 1, 2018 and bears interest at a rate of 6% per annum and on July 17, 2018, Xanthic advanced the proceeds of the loan to GGB Nevada which in turn made a payment of US\$2,000,000 to NOR as a deposit on the NOR Agreement. NOR is a vertically integrated medical and retail marijuana company based in Las Vegas, Nevada holding four Nevada marijuana licenses (dispensary, cultivation, production and distribution). Additionally, NOR produces a line of high quality medical and recreational products under the name 8|fold.

Further, on September 5, 2018, Xanthic borrowed an additional US\$30,347,500 from GGB pursuant to the terms of a loan agreement (the "Loan Agreement") dated August 30, 2018. The proceeds of the loan were subsequently advanced by Xanthic to GGB Nevada, which in turn used the proceeds to make the initial cash payment required pursuant to the NOR Agreement in connection with the closing of the NOR Acquisition. In addition, on closing of the NOR Acquisition, GGB Nevada delivered to the NOR Members a secured promissory note (the "Purchase Note") in the principal amount of US\$21,565,000. The Purchase Note matures on March 3, 2019 and bears interest at 6% per annum and is fully secured by general security interest over the assets of NOR. The Loan Agreement matures on the date that is 180 days from September 5, 2018, bears interest at 12% per annum and has been secured by a pledge over the shares of GGB Nevada. The balance of US\$2,715,000 owing to the NOR Members will be satisfied by the issuance of common shares of the resulting issuer following completion of the Business Combination.

The Business Combination

Subject to the terms of the Definitive Agreement, Subco and GGB will complete the Amalgamation and the amalgamated corporation ("Amalco") will continue under the name "Green Growth Brands (Ontario) Ltd.". Amalco will be a direct wholly-owned subsidiary of the Resulting Issuer. All of the property and assets of each of Subco and GGB will become the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of Subco and GGB.

As of the July 16, 2018, Xanthic had 57,046,547 Xanthic Shares outstanding together with Xanthic convertible securities entitling the holders thereof to acquire a further 3,876,000 Xanthic Shares. As of the July 16, 2018, GGB had 92,000,002 GGB common shares ("GGB Shares") outstanding and no outstanding convertible securities. Pursuant to the terms of the Definitive Agreement, GGB may issue up to an additional 9,200,000 GGB Shares (or convertible securities, or the equivalent) prior to closing of the Business Combination. Based on the foregoing, Xanthic will, subject to the receipt of all regulatory approvals, including the approval of its shareholders to certain items of special business and the Exchange, (i) combine with GGB pursuant to the Definitive Agreement such that all of the issued and outstanding GGB Shares will be acquired, and as consideration, Xanthic will issue to holders of GGB Shares, on a 3.394-for-one basis, 346,150,835 Xanthic Shares (the "Consideration Shares"), in exchange for the then issued and outstanding GGB Shares (which for greater certainty excludes the GGB Shares to be issued under the Subscription Receipt Private Placement and the Debenture Private Placement (as such terms are defined below)); and (ii) reorganize its share structure and consolidate all of the issued and outstanding Xanthic Shares (including the Consideration Shares) on the basis of approximately 4.07 pre-consolidation Xanthic Shares for one (1) post-consolidation Resulting Issuer Share (the "Consolidation").

In the event that GGB terminates the Definitive Agreement, other than as a result of a breach of representation or warranty or non-performance by Xanthic, GGB shall pay Xanthic a break fee in the aggregate amount of \$250,000 and reimburse Xanthic for the full extent of its US legal fees, a portion of its Canadian legal fees, travel costs and other reasonable expenses incurred in connection with the Business Combination.

Resulting Issuer

The following table sets forth the pro forma capitalization of the Resulting Issuer after giving effect to the Business Combination and the Consolidation but prior to giving effect to the Subscription Receipt Private Placement and the Debenture Private Placement:

Equity (Resulting Issuer Shares)	Shares⁽¹⁾ (#)	Shares⁽²⁾ (%)
Held by current GGB Shareholders	85,034,014	85.9%
Held by current Xanthic Shareholders that are insiders of Xanthic	1,487,036	1.5%
Held by current Xanthic Shareholders that are <u>not</u> insiders of Xanthic	12,526,788	12.6%
Total	99,047,838	100%

(1) Does not give effect to exercise and/or conversion of issued and outstanding Xanthic convertible securities.

(2) Expressed on a non-diluted basis.

To the knowledge of the prospective directors and executive officers of the Resulting Issuer, no person or company beneficially will own, or control or direct, directly or indirectly, Resulting Issuer Shares carrying in excess of 10% of the voting rights attached to all outstanding Resulting Issuer Shares, other than All Js Greenspace LLC, a company controlled by three individual family trusts, which is expected to own 33,971,923 Resulting Issuer Shares, representing a 34.3% ownership stake in the Resulting Issuer prior to giving effect to the Subscription Receipt Private Placement and the Debenture Private Placement.

Board of Directors and Management

Subject to Exchange approval, the board of directors and management of Xanthic was reconstituted on July 16, 2018 with the following individuals:

- Jean Schottenstein (Director)
- Peter Horvath (Director)
- Steve Stoute (Director)
- Carli Posner (Director)
- Marc Lehmann (Director)
- Tim Moore (Director and Chief Executive Officer)
- Gary Galitsky (Director and President)
- David Bhumgara (Chief Financial Officer)

It is currently expected that the board of directors and management of the Resulting Issuer will be the aforementioned individuals.

Conditions of Completion

Completion of the Business Combination is subject to a number of conditions, including, but not limited to, Exchange acceptance. Where applicable, the Business Combination cannot close until the required shareholder approval is obtained. There can be no assurance that the Business Combination will be completed as proposed, or at all.

The remaining conditions to completion of the Business Combination include, but are not limited to:

- The approval of GGB shareholders of the Amalgamation, the approval of Xanthic shareholders of the Amalgamation, the Name Change and the Consolidation, and other matters to be more fully described in the Disclosure Document, and the approval and acceptance of the Exchange;
- Xanthic will have at least \$400,000 of working capital (net of expenses relating to the completion of the Amalgamation); and
- The Resulting Issuer being in compliance with the initial listing requirements of the Exchange.

Background

Aurquest Resources Inc. which was formed by an amalgamation of Rampart Mercantile Inc. and North American Store Finance Ltd. back in November 1, 2000. Previous to the amalgamation, the Corporation was initially incorporated in province of British Columbia on November 18, 1968, then continued into Ontario on November 24, 1999 prior to amalgamation with North American Store Finance Ltd. on November 1, 2000.

On December 15, 2017 Xanthic Biopharma Limited acquired via a reverse takeover transaction Aurquest Resources Inc. Pursuant to the Definitive Agreement, Aurquest acquired all of the issued and outstanding common shares of Xanthic Biopharma Limited from the Xanthic Shareholders. As of the date of closing, there was 37,252,000 issued and outstanding Xanthic Shares, inclusive of 10,252,000 Xanthic Shares issued at a price of \$0.125 per share pursuant to a non-brokered private placement of Xanthic (the "Xanthic Private Placement") which closed December 13, 2017. In exchange for the Xanthic Shares, Aurquest issued a total of 298,016,000 Aurquest Shares at a ratio of eight (8) Aurquest Shares for each one (1) Xanthic Share (the "Exchange Ratio") at a deemed price of \$0.01563 per Aurquest Share, resulting in a reverse take-over of Xanthic by Aurquest (the "RTO Transaction"). Aurquest had 51,668,184 shares outstanding. The RTO Transaction resulted in the Company having approximately 349,684,184 common shares. On closing of the RTO Transaction, the Aurquest shareholders had 51,668,184 shares (14.78%), the existing Xanthic shareholders hold 216,000,000 Aurquest shares (61.77%), and the purchasers in the Xanthic Private Placement hold 82,016,000 Aurquest shares (23.45%).

On February 16, 2018, the shareholders of Aurquest Resources Inc. voted in favour of the following: 1) consolidation of the common shares of the Corporation on an eight for one basis; 2) name change from Aurquest Resources Inc. to Xanthic Biopharma Inc.; 3) the election of directors, 4) appointment of auditors, 5) approving a 10% rolling stock option plan; and 6) adoption of new bylaws. The Corporation effected the name change and share consolidation on February 26, 2018, at which time the outstanding common shares were reduced to 55,710,547. Subsequent to the quarter end of March 31, 2018, on April 19, 2018 the Corporation's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the stock ticker symbol XTHC.

On March 21, 2018, the Corporation completed its purchase of 45% interest in Xanthic Beverages USA LLC (previously Avitas CBD Water LLC "Xanthic Beverages") for USD\$600,000, USD\$300,000 was due on signing and balance due when Xanthic Beverages issues its second purchase order for bottling with a co-packer. In addition, if Xanthic Beverages achieves a minimum market penetration of 100 retailers or sales throughput of 380,000 units, at the option of the Corporation, the Corporation has a contingent consideration payable of USD\$150,000 or 600,000 common shares of the Corporation. The Corporation has assigned a 50% probability at June 30, 2018 that the contingent consideration payable will occur. Xanthic Beverages uses CBD isolate derived from non-hemp, non-cannabis source for use in water beverages sold both within and outside the licensed dispensary universe.

Further, the Corporation has an option for 24 months to acquire a further 6% interest in Xanthic Beverages bringing its ownership to 51% and therefore control for an additional \$300,000 worth of shares in the Corporation based on the 60 day average price at the time of the exercise.

Corporate Outlook and Strategy

The Corporation is in its infancy, as previously noted, however the Corporation's business strategy is to be a premium cannabinoid brand offering scientifically proven relief through easy, innovative, and contemporary non-combustible methods.

The Corporation's strategy will be focused initially in certain states in the United States where cannabis has been legalized for recreational or medical use. The Corporation will partner with local licensed cannabis producers in each state in order to facilitate its roll out and minimize capital needs.

The Corporation's product offering will initially include cannabis infused powder beverage mixes such as a fruit drink, a rescue drink, an energy drink, hot chocolate and a protein drink, with first production planned in the third calendar quarter of 2018.

Through its equity investment in Xanthic Beverages, the Corporation plans to assist Xanthic Beverages with branding and distribution of the Xanthic CBD Water broadly through an extensive retail network using third party bottler's distribution network, independent local grocery and other retail locations in the states of Oregon, Washington and California.

Overall Financial Performance

As previously discussed, the Corporation incorporated March 15, 2017 and has no revenue from operations. Below is a summary of the Corporation financial performance for the year ended June 30, 2018. During the year ended June 30, 2018 the Corporation had a net loss from operations of \$2,829,225. Included in yearend results from operations are listing fees in connection with the RTO completed with Aurquest Resources Inc. of \$918,054.

For the year ended	June 30, 2018	June 30, 2017
Revenue	\$ -	\$ -
Net loss from operations	2,829,225	101,541
Net Loss per share	\$ 0.08	\$ 0.04

RTO Transaction

On December 15, 2017, the Company entered into a definitive agreement with Xanthic Biopharma Limited ("Xanthic"). Pursuant to the definitive agreement the Company acquired all the issued and outstanding common shares of Xanthic (the "Xanthic Shares") from the Xanthic shareholders. At the date of closing on the definitive agreement there were 37,252,000 Xanthic Shares issued and outstanding, inclusive of 10,252,000 Xanthic Shares issued at a price of \$0.125 per Xanthic Share pursuant to a non-brokered private placement. In exchange for the Xanthic Shares, the Company issued 298,016,000 common shares in the Company at a ratio of eight Company shares for each Xanthic Share at a deemed price of \$0.015625 per Company share, resulting in a reverse takeover of the Company by Xanthic shareholders.

The Company had 51,668,184 common shares outstanding prior to the completion of the RTO. On closing of the RTO there are 349,684,184 common shares outstanding of which 51,668,184 represented the original shareholders of the Company who retained 14.8% and Xanthic shareholders obtained 85.2% of the Company.

Since the Company did not meet the definition of a business under IFRS 3 – *Business Combinations*, the acquisition was accounted for as a purchase of the Company's assets. The consideration paid was determined as equity-settled share based payments under IFRS 2, at the fair value of the equity of the Company retained by the shareholders of the Company based on the fair value of the Xanthic common shares on the date of closing of the RTO, which was determined to be \$0.125 per common share based on the most recent equity raise completed just prior to the RTO.

The Company recorded listing fees of \$918,054 in the 2018 Audited Consolidated Financial Statements of net loss and comprehensive loss. The details of the listing fees are as follows:

Fair value of consideration paid:		
51,668,184 common shares of Xanthic at \$0.015625 per share	\$	807,315
Net liabilities of Aurquest acquired by Xanthic		86,739
		894,054
Other Transaction Costs:		
Professional fees		24,000
Listing fees	\$	918,054

The net liabilities of the Company were included at their carrying value of \$86,739, which approximates their fair value as follows:

Cash	\$	2,141
Prepaid expenses		500
Accounts payable and accrued liabilities		(44,380)
Shareholder loans		(45,000)
	\$	(86,739)

Review of Operations for the year ended June 30, 2018 compared to year ended June 30, 2017

During the year ended June 30, 2018 ("Fiscal 2018"), the Corporation incurred a net loss \$2,829,225 or \$0.08 per share, as compared to a net loss from operations of \$101,541 or \$0.04 per share for the year ended June 30, 2017 ("Fiscal 2017"). During Fiscal 2018 the Corporation completed three private placements which allowed the Corporation to commence execution on its business plan. In addition, the significant increase in net loss was primarily the result of first full year of operations compared to Fiscal 2017. The Corporation was formed March 2017 so Fiscal 2017 represented less than 4 months of activity.

During Fiscal 2018, the Corporation incurred management, consulting fees of \$827,658, compared with \$60,000 in Fiscal 2017. The increase is primarily due to the retaining of management and consultants to help establish and capitalize the Corporation. The Corporation also incurred \$375,023 in legal costs in Fiscal 2018 compared with \$27,968 in Fiscal 2017. The increase in legal costs reflects the increase in business activity and the establishment of agreements, patent filings, financing activities, general counsel and listing application fees with the CSE during Fiscal 2018. In addition, the Corporation incurred \$174,289 in advertising and promotion compared with \$13,496 in Fiscal 2017. The increase relates to web development, investor presentations, packaging and brand building in Fiscal 2018.

During Fiscal 2018, the Corporation adopted its share-based compensation plan and issued stock options which resulted in stock based compensation expense of \$385,542 compared to nil in Fiscal 2017.

Review of Operations for the three months ended June 30, 2018 compared to three months ended June 30, 2017

For the quarter ended	June 30, 2018	June 30, 2017
Consulting fees	\$ 231,614	\$ 60,000
Stock based compensaton	287,081	-
Legal and professional fees	181,297	27,968
Advertising and promotion	77,287	13,496
Loss from equity accounted investment	58,255	-
General and administration	47,761	61
Interest and bank charges	2,709	16
	886,004	101,541
Net Loss per share	\$ 0.02	\$ 0.04

During the three months ended June 30, 2018, the Corporation incurred \$231,614 in consulting fees to senior management, accounting, corporate finance work and strategic advisory services compared to \$60,000 in the same

period of the prior year. The Corporation consulting fees related to finance work to assist developing the business plan and strategy and product development. The Corporation had for the three months ended June 30, 2018 \$181,297 in legal and professional fees associated with investor relations and legal activities this compares to \$27,968 in the same period of the prior year. The increase in legal and professional relates to work to complete the CSE listing application with the Corporation first day of trading commencing April 19, 2018.

The Corporation incurred during the fourth quarter 2018 \$77,287 in advertising and promotion compared to \$13,496 in the same period of the prior year. The Corporation incurred expenses in developing its brand, packaging and artistic elements in anticipation of its product launch in later half of 2018.

The Corporation recorded a \$58,255 loss on its share of its equity accounted investment in Xanthic Beverages. Xanthic Beverages commenced operations in March 2018 with the Corporations investment of the initial USD\$300,000. The loss represents startup costs for Xanthic Beverages.

The Corporation incurred in the fourth quarter of 2018, \$47,761 in general and administrative costs compared to \$61 in the same period of the prior year. The increase represents the increased activity in the Corporation compared to the prior year.

On February 28, 2018, the Corporation's board approved the stock option plan. As a result of grants during the year the Corporation incurred stock based compensation costs of \$287,081 compared to nil in the same period of the prior year.

SELECTED QUATERLY FINANCIAL INFORMATION

For the three months ended,	June 30, 2018	March 30, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Current Assets	\$ 1,626,042	\$ 1,810,722	\$ 1,236,139	\$ 62,553	\$ 36,524
Current Liabilities	650,168	804,766	314,663	138,168	111,643
Net Loss from Operations	860,004	566,047	1,328,678	74,496	101,541
Net Loss per share	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.04

- The Corporation current assets represent cash, prepaids, inventory and HST receivable. Current assets at June 30, 2018 include cash of \$1,037,049.
- The Corporation's current liabilities represent start up consulting fees, legal and audit fees since inception and include contingent consideration payable in connection with Xanthic Beverages purchase of \$493,800 (see 2018 Audited Consolidated Financial Statements Note 8).
- June 30, 2018 quarterly loss includes stock based compensation expense of \$287,081.
- December 31, 2017 net loss and comprehensive loss includes listing fees of \$944,054.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has cash of \$1,037,049, prepaids of \$249,915, inventory of \$181,096, and other receivable of \$157,982 and current liabilities of \$946,448 as at June 30, 2018. The Corporation therefore has a working capital of \$679,594. Despite the positive working capital, the Corporation does not have sufficient liquidity and capital resources at June 30, 2018 to meet all its planned expenditures over the next twelve months.

The Corporation plans to complete further financings over the next twelve months in order to fund its ongoing expenditures and execute on its business plan to get to break even cashflow. However, there is no assurance that the Corporation will be successful in these endeavors.

Outstanding Share Data

At June 30, 2018, the Corporation had 56,846,547 common shares outstanding, 568,000 warrants outstanding and 3,508,000 stock options outstanding and on September 13, 2018, the Corporation had 57,546,547 common shares outstanding, 568,000 warrants outstanding and 2,808,000 stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Corporation has entered into arrangements with several third-party goods and services providers. In certain instances, the Corporation, directly and through its subsidiaries, has provided indemnities and/or guarantees to these third parties for the payment of goods or services provided, or otherwise. Generally, there are no pre-determined amounts or limits included in these arrangements, and the occurrence of an event that would trigger the Corporation's obligations pursuant to these arrangements is difficult to predict. Therefore, the Corporation's potential future liability cannot be reasonably estimated.

COMMITMENT AND CONTINGENCIES

Commitments and contingencies are detailed in Note 8 to the 2018 Audited Consolidated Financial Statements. The following table summarizes payments due for the next five years and thereafter in respect of the Corporation's contractual obligations and the obligations of its subsidiaries.

	Expected Payments Schedule					Total
	2019	2020 to 2021	2022 to 2023	Thereafter		
Accounts payable and accrued liabilities	\$ 156,368	\$ -	\$ -	\$ -	\$	156,368
Contingent consideration payable	790,080	-	-	-		790,080
	\$ 946,448	\$ -	\$ -	\$ -	\$	946,448

RELATED PARTY TRANSACTIONS

The Corporation has not entered into any transactions with related parties, other than as disclosed in Note 13 to the 2018 Audited Consolidated Financial Statements.

ACCOUNTING POLICIES, CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and other items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. Critical judgments and estimates represent estimates made by management that are, by their very nature, uncertain. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and other items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Summaries of the significant accounting policies applied, and significant judgments, estimates and assumptions made by management in the preparation of its financial statements are provided in Notes 2 and 3 to the 2018 Audited Consolidated Financial Statements.

CONTROLS AND PROCEDURES

During 2018, the Chief Executive Officer and the Chief Financial Officer of the Corporation were responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, as defined in the Canadian Securities Administrators National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*".

Internal Control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Corporation in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the Corporation's Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as at June 30, 2018, the Corporation's disclosure controls and procedures were effective.

BUSINESS RISKS

There are numerous and varied risks, known and unknown, that may prevent the Corporation from achieving its goals. If any of these risks occur, the Corporation's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Corporation's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Corporation:

The Company Relies on Securing and Maintaining Agreements with Licensed Partners

In most U.S. States, the Company is not eligible to obtain a license to grow, store and sell cannabis products. Accordingly, the Company must secure royalty agreements with Licensed Partners that have been able to obtain the requisite licenses with the appropriate regulatory authorities in the targeted jurisdictions. The failure of a Licensed Partner to comply with the requirements of their license or to maintain their license would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantee that the applicable licenses will be maintained by Licensed Operators or granted to other prospective Licensed Operators in the future.

Limited Operating History

Having been founded in late 2017, the Company has a limited operating history which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with an investment in the Company. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, such as under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, achieving market acceptance of existing and future solutions, competing against companies with greater financial and technical resources, and lack of revenues. There is no assurance that the Company will be successful in achieving a return for investors and the likelihood of success must be considered in light of the early stage of operations. Because the Company has a limited operating history in emerging area of business, investors should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Operating in the United States

The Company will initially focus its operations in the United States, specifically in states that have already passed legislation legalizing the recreational sale and use of cannabis. Currently, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado and Alaska, and the District of Columbia, have legalized the recreational use of cannabis. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the U.S. Controlled Substance Act of 1970. While the Department of Justice under the previous U.S. presidential administration stated its intention not to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law, pursuant to the Cole Memorandum, there can be no assurance that the current administration will not enforce such laws in the future. This risk is further compounded by the political and policy variability of the Donald Trump presidential administration, and the conservative, anti-cannabis stances of Attorney General Jeff Sessions. Mr. Trump's positions regarding marijuana are difficult to discern; however, Attorney General Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career. On January 4, 2018, Attorney General Sessions

rescinded the Cole Memorandum, shifting federal policy from a hands-off approach to unleashing federal prosecutors across the country to decide individually how to crack down on possession, distribution and cultivation of cannabis, including in states in which cannabis is legal. With the Cole Memorandum rescinded, U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion in determining whether to prosecute cannabis related violations of U.S. federal law. It is possible that further developments could significantly adversely affect the business, financial condition and results of businesses involved in U.S. cannabis related activities and in the cannabis industry generally. There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with applicable state law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

The Products Provided by the Company to Licensed Partners May Become Subject to Regulation Governing Food and Related Products

Should the U.S. federal government legalize cannabis for medical or recreational use nation-wide, there is a risk that the U.S. Food and Drug Administration (the "FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of cannabis and cannabis-infused products. Clinical trials may be needed to verify the efficacy and safety of cannabis. It is also possible that the FDA would require that facilities where cannabis is cultivated be registered with the applicable government agencies and comply with certain federal regulations. Compliance with such rules and regulations may be unduly costly and may have an adverse effect on the Company. If the Company or its Licensed Partners are unable to comply with the regulations prescribed by the FDA, the Company and/or its Licensed Partners may be unable to continue to operate.

Banking Regulation May Hinder the Company's Ability to Establish and Maintain Bank Accounts

The U.S. federal prohibitions on the sale of cannabis may prevent the Company's Licensed Partners from accessing the U.S. banking system and they may be unable to deposit funds in federally-insured and federally-licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, such restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from its Licensed Partners. Licensed Partners at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and to its Licensed Partners. The inability of the Company's Licensed Partners to access banking services can make it difficult to structure royalty agreements in a manner acceptable to the Company.

In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company's Licensed Partners may seek alternative payment solutions, including but not limited to, cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Managing Growth

In order to manage growth and change in strategy effectively, the Company must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. The inability of the Company to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Currently, the cannabis, nutraceuticals and pharmaceuticals industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies that also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities that currently make up the bulk of the participants in the varied businesses operating within, and in support of, the medical and recreational cannabis industry. While most U.S. states seemingly deter this type of arrangement, the cannabis industry is still relatively new for public entities, so the future competitive environment remains largely unknown.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Retention, Acquisition and Integration of Skilled Personnel

The loss of any member of the Company's management team could have a material adverse effect on its business and results of operations. In addition, the inability to hire new personnel and the increased costs of hiring new personnel could have a material adverse effect on the Company's business and operating results. At present and for the near future, the Company will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Legal Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with International Financial Reporting Standards. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.

Regulatory Compliance Risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. Management expects that the legislative and regulatory environment in the cannabis industry in Canada and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

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

Liability, Enforcement, Complaints, etc.

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

Product Liability

As a distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Company'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 the Company's 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 claims or regulatory action against the Company could: i) result in increased costs; ii) adversely affect the Company's reputation with its Licensed Partners and consumers generally; and iii) have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or 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 obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Insurance Coverage

The Company's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to the Company and environmental contingencies. Although management of the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product 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. The Company 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, 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 the Company is subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to

increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Limited Avenues to Market and Promote Products

To be successful, the Company's business must be successfully marketed. The market for the Company's products and services has and is expected to grow significantly and may require substantial sales and marketing capability. The Company will be dependent on independent parties to market its products and services. There can be no assurance that the Company can continue to market or can enter into satisfactory arrangements with third parties to continue to market its products and services in a manner that would assure its growth and acceptance in the market place.

Supply of Cannabis Extract

If for any reason the supply of cannabis extract from licensed producers is ceased or delayed, the Company would have to seek alternate suppliers and obtain all necessary authorization for the new cannabis extract. If replacement cannabis extract cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, the Company's business, financial condition and results of operations would be materially and adversely affected.

Global Economy

Financial markets are influenced by the economic and market conditions in other countries, including the United States and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Canada, investor reactions to developments in these other countries may substantially affect the capital flows into and the market value of securities of issuers with operations in the United States and Canada.

Consumer Acceptance of Premium Pricing

The Company branding, and pricing strategy is to offer a premium product at higher than existing market prices of competitive products. The Company assumes that it will be successful in establishing the brand as a premium brand and therefore is relying on pricing its products consistent with its brand image. There can be no assurance that the Company will be successful and that the marketplace will accept a premium price when there is no direct competitive, comparable product.

Access to Capital

In executing its business plan, the Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of its equity securities and debt financing. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major unanticipated liabilities or expenses. The Company can provide no assurance that it will be able to obtain financing to meet the growth needs of the Company.

Foreign Sales and Currency Risks

The Company's functional currency is denominated in Canadian dollars. The Company currently expects that sales will be denominated in U.S. dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, the Company incurs the majority of its operating expenses in Canadian dollars. In the future, the proportion of the Company's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid

markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company 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 Company's 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. The Company's operating results may be adversely affected if the 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, 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, as well as revenue and cost recognition.

Tax Risks

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses. The Company will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Company's provision for income taxes and other tax liabilities will require significant judgment.

Repatriation of Profits

As a holding company with no material assets other than the stock of the Company's operating subsidiaries and intellectual property, nearly all of the Company's funds generated from operations are generated by the Company's operating subsidiaries. The Company's subsidiaries are subject to requirements of various regulatory bodies, both domestically and internationally. Accordingly, if the Company's operating subsidiaries are unable, due to regulatory restrictions or otherwise, to pay the Company's dividends and make other payments to the Company when needed, the Company may be unable to satisfy the Company's obligations when they arise.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Stock Market Volatility

The market price of the Company's Common Shares could be subject to significant fluctuations in response to various factors, many of which are beyond the Company's control. In addition, the stock markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may adversely affect the market price of the Common Shares. There can be no assurance that the holders or purchasers of the Company's Common Shares will be able to resell their shares at prices equal to or greater than their cost.

No History of Payment of Cash Dividends

The Company has never declared or paid cash dividends on its Common Shares. The Company intends to retain future earnings to finance the operation, development and expansion of the business. The Company does not anticipate paying cash dividends on its Common Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on the Company's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

Analyst Coverage

The trading market for the Company's Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Company's Common Shares or change their opinion of the Company's business prospects, the Company's share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company's share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the Company's Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

INFORMATION CONCERNING XANTHIC BIOPHARMA INC.

Additional information relating to the Corporation, may be accessed through the SEDAR website at www.sedar.com under Xanthic Biopharma Inc. and the Corporation's website at www.xanthicbiopharma.com.

Toronto, Ontario
September 13, 2018