MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(*Expressed in United States dollars*)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

*This management discussion and analysis ("**MD&A**") of the financial condition and results of operations of MJAR Holdings, Corp. (collectively, "**we**", "**our**" or the "**Company**") is for the three and six months ended June 30, 2018. It is supplemental to, and should be read in conjunction with, the Company's interim unaudited combined consolidated financial statements and the accompanying notes as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017, and with the Company's audited combined consolidated financial statements and the accompanying notes as of December 31, 2017, 2016 and 2015, and for each of the years then ended. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").*

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward- Looking Information", located at the beginning of this Listing Statement. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

*Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**USD**"), unless otherwise indicated.*

OVERVIEW OF THE COMPANY

The Company provides operational solutions for licensed cannabis cultivators, processors and dispensaries principally located in the United States and Canada, including licensure support, facility design, systems implementation, equipment leasing, facility ramp-up, and day-to-day personnel management and oversight. The Company provides its services through the following operating entities: MJAR Holdings, LLC ("**MJardin Holdings**"), MJardin Management, LLC ("**MJardin Management**"), MJardin Services, Inc. ("**MJardin Services**"), and MJardin Capital, LLC ("**MJardin Capital**"). Prior to the formation of MJardin Holdings on March 19, 2014, the Company performed all services through MJardin Management (formerly known as MJardin Consulting, LLC and now a wholly-owned subsidiary of the Company), a Colorado Limited Liability Company formed on June 4, 2013.

We believe we are one of the most experienced operators of legal cannabis facilities in North America. Our managed facilities have produced and sold over 100,000 kg of legal cannabis product since its inception, through cultivation, processing and retail operations. The Company specializes in commercial cannabis management and utilizes its turnkey management system to operate cultivation, processing and retail facilities on a day-to-day basis.

Historically, the Company earned revenue primarily from providing consulting and cultivation management services on an agency basis, based on specific performance criteria agreed to by the licensed facility owner. Fees for such services include a combination of baseline management fees, performance-based incentive fees (where legally permissible), and other administrative support fees including staffing fees, technology fees, and reimbursable costs. Baseline management fees are comprised of total cost of production and operations – namely, labor and materials. Performance-based incentive fees are typically determined by production volumes or other royalty mechanisms and are charged to the extent permitted under State and local laws, rules and regulations.

During the second half of 2017, Company management and select stakeholders carefully evaluated all existing management contractual relationships to assess their long-term value to the Company, focusing on sustainable profitability, human capital requirements, and the counterparty relationship. Following our internal review, we decided to shift our focus and (1) concentrate on assisting select license owners (i.e. affiliated operators, as defined under *Operating Segment Overview* herein), to which we provide strategic capital and financing, construction oversight, and project management services for cultivation, processing and retail facilities and (2) as of August 2018, own and operate our own vertically integrated seed-to-sale production and retail operations. This approach allows us to enhance our existing business model by adding financing and rental income associated with owning financial assets and real estate as well as control the production and delivery of our own branded product.

OPERATING SEGMENT OVERVIEW

From inception through December 31, 2017, the Company operated as a single segment. During the first quarter of 2018, the Company launched its Canadian operating segment with the formation of its wholly-owned subsidiary, Ringsby Services Inc., an Ontario Corporation ("**RSI**"). The Company's Canada operating segment generated only nominal expenses and zero revenue as of June 30, 2018. As a result, separate operating performance is not presented for Canada for the three and six months ended June 30, 2018.

The Company provides (1) management services to affiliated and unaffiliated large-scale commercial enterprises operating in legal cannabis markets across the United States and (2) as of August 2018, owns and operates its own seed-to-sale operations. Licensed operators owned or controlled by one or more related parties of the Company such as founders, executives, members of the Board of Directors or significant shareholders are classified for financial reporting purposes as "**affiliated operators**". All others are classified as "**non-affiliated operators**". Consulting revenue is non-recurring and generally includes a combination of pre-licensure and pre-production activities, such as licensure application support, site location, facility design, contractor selection, security systems and vendor selection, among others.

Affiliated Operators

Throughout the six months ended June 30, 2018 and 2017, affiliated operators were based primarily in Denver, Colorado and Las Vegas, Nevada, with a majority of all affiliated revenue in both years generated from operations in Denver. During the three months ended June 30, 2018, the Company's affiliated operators in Las Vegas (Cheyenne and Warm Springs) completed first harvests and are progressing towards full capacity by the first quarter of 2019. With the spin-off of GrowForce Holdings Inc. ("GrowForce") completed during the first quarter of 2018, the Company's Canadian operating segment is gradually ramping up, with GrowForce now owning or jointly developing cultivation facilities in Winnipeg, Brampton, and Halifax.

Non-affiliated operators

During the first six months ended June 30, 2017, non-affiliated operators were located across the United States, including Ohio, Pennsylvania, Florida, Massachusetts, Texas, Hawaii, Vermont and Las Vegas. In addition to those U.S. based operators, the Company also provided specialty consulting and short-term facilities management services to an Ontario, Canada based licensed producer. As stated above, during the second half of the year ended December 31, 2017, the Company shifted its focus to expanding relationships with existing affiliated operators and winding down existing non-affiliated relationships and declining new consulting engagements with non-affiliated operators. As a result, during the first six months ended June 30, 2018, the Company's work with non-affiliated operators was limited to operators located in Florida and Massachusetts.

Components of the Results of our Operations

The Company uses Net Revenue, a term which is not defined under IFRS, to calculate and measure overall gross profit margins ("Gross Margin") and which is computed as follows:

- Net Revenue is the difference between gross revenue earned from all clients less direct expenses incurred for compensation and benefits and other operating costs borne by the Company in performing its consulting, and cultivation and operations management services (i.e. the pass-through costs).

The Company uses earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a measure of pre-tax operating cash flow and net income as a measure of overall profitability. Management derives Adjusted EBITDA and adjusted net (loss) income from EBITDA, which is calculated as follows:

- Adjusted EBITDA is calculated by adjusting EBITDA for acquisition-related costs, share-based compensation, corporate restructuring charges, compensation-related derivative gains or losses (e.g. stock options and warrants) and gains or losses on property and equipment. There is no directly comparable IFRS measure for Adjusted EBITDA; the most directly comparable measure is net (loss) income.

- Adjusted Net Income, as prescribed by IFRS, is adjusted to exclude the amortization of acquisition-related intangibles, acquisition-related costs and gains or losses on property and equipment. There is no directly comparable IFRS measure for adjusted net (loss) income; the most directly comparable measure is net (loss) income.

SELECTED FINANCIAL INFORMATION

The following is selected financial information derived from the condensed interim unaudited combined consolidated financial statements of the Company as of June 30, 2018 and for the three and six months ended June 30, 2018 and 2017.

The selected combined consolidated financial information set out below may not be indicative of the Company's future performance:

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Gross revenue	$ 4,496,597	$ 3,840,071	$ 9,870,410	$ 7,677,120
Net Revenue (a)	1,979,832	1,691,093	4,104,131	3,046,083
Gross Margin (b)	44.0%	44.0%	41.6%	39.7%
Total expenses	4,160,125	3,020,440	9,145,012	6,483,547
Restructuring charge	3,429,864	-	3,429,864	-
EBITDA (c)	(3,202,321)	829,225	(2,309,753)	1,214,520
Adjusted EBITDA (d)	227,543	829,225	1,120,111	1,214,520
Net (loss) income	(4,185,225)	819,631	(4,772,421)	1,193,573
Total assets	54,305,927	3,139,702	54,305,927	3,139,702
Total liabilities	24,456,470	872,701	24,456,470	872,701

(a) For the three months ended June 30, 2018 and 2017 ("**Q2 2018**" and "**Q2 2017**" respectively), Q2 2018 Net Revenue of $1,979,832 equals Q2 2018 gross revenue ($4,496,597) less Q2 2018 grow facility compensation and benefits expense ($2,516,765); Q2 2017 Net Revenue of $1,691,093 equals Q2 2017 gross revenue ($3,840,071) less Q2 2017 grow facility compensation and benefits expense ($2,148,978). For the six months ended June 30, 2018 and 2017 ("**H1 2018**" and "**H1 2017**" respectively), H1 2018 Net Revenue of $4,104,131 equals H1 2018 gross revenue ($9,870,410) less H1 2018 grow facility compensation and benefits expense ($5,766,279); H1 2017 Net Revenue of $3,046,083 equals H1 2017 gross revenue ($7,677,120) less H1 2017 grow facility compensation and benefits expense ($4,631,037).

(b) Q2 2018 Gross Margin of 44.0% equals Q2 2018 Net Revenue ($1,979,832) divided by Q2 2018 gross revenue ($4,496,597); Q2 2017 Gross Margin equals Q2 2017 Net Revenue ($1,691,093) divided by Q2 2017 gross revenue ($3,840,071). H1 2018 Gross Margin of 41.6% equals H1 2018 Net Revenue ($4,104,131) divided by H1 2018 gross revenue ($9,870,410); H1 2017 Gross Margin of 39.7% equals H1 2017 Net Revenue ($3,046,083) divided by H1 2017 gross revenue ($7,677,120).

(c) Q2 2018 EBITDA of ($3,202,321) equals net (loss) income of ($4,185,225) plus Q2 2018 interest expense of $969,166 and depreciation expense of $13,738; Q2 2017 EBITDA of $829,225 equals Q2 2017 net (loss) income of $819,631 plus Q2 2017 depreciation expense of $9,594. H1 2018 EBITDA of ($2,309,753) equals net (loss) income of ($4,772,421) plus H1 2018 interest expense of $2,436,121 and depreciation expense of $26,547; H1 2017 EBITDA of $1,214,520 equals H1 2017 net (loss) income of $1,193,573 plus H1 2017 depreciation expense of $20,947.

(d) Q2 2018 Adjusted EBITDA of $227,543 equals net (loss) income of ($4,185,225) plus Q2 2018 interest expense of $969,166, depreciation expense of $13,738 and share-based compensation of $3,429,864; Q2 2017 Adjusted EBITDA equals EBITDA of $829,225; H1 2018 Adjusted EBITDA of $1,120,111 equals net (loss) income of ($4,772,421) plus H1 2018 interest expense of $2,436,121, depreciation expense of $26,547 and H1 2018 share-based compensation of $3,429,864; H1 2017 Adjusted EBITDA equals H1 2017 EBITDA of $1,214,520.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and six months ended June 30, 2018 compared to three and six months ended June 30, 2017

RESULTS OF OPERATIONS

Gross revenue

Gross revenue for six months ended June 30, 2018 grew to $4.5 million versus $3.8 million for the three months ended June 30, 2017, representing an increase of 18.4% ($0.7 million), with such revenue increase primarily due to interest and rent income from Buddy Boy Brands, a Denver, Colorado based affiliated operator. The increased revenue from interest and rent, totaling $0.8 million and $0.3 million, respectively, was offset by a $0.2 million decline in consulting fees from non-affiliated operators.

Gross revenue for the six months ended June 30, 2018 grew to $9.9 million in comparison to $7.7 million for the six months ended June 30, 2017, representing an increase of 28.6% ($2.2 million), with such revenue increase due to the interest and rental income earned from Buddy Boy Brands which amounted to $1.6 million and $0.6 million, respectively, for the six months ended June 30, 2018.

The following table summarizes gross revenue from affiliated operators and non-affiliated operators during the three and six months ended June 30, 2018, in comparison to the three and six months ended June 30, 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Affiliated operators				
Cultivation and management services	$ 2,462,648	$ 2,742,038	$ 5,568,527	$ 5,445,034
Interest income	843,515	-	1,620,743	-
Rent	297,178	-	584,214	-
Total affiliated operator revenue	**$ 3,603,341**	**$ 2,742,038**	**$ 7,773,484**	**$ 5,445,034**
Non-affiliated operators				
Cultivation and management services	$ 882,522	$ 521,876	$ 2,068,376	$ 1,294,220
Consulting	10,734	576,157	28,550	987,866
Total non-affiliated operator revenue	**$ 893,256**	**$ 1,098,033**	**$ 2,096,926**	**$ 2,232,086**
Total gross revenue	**$ 4,496,597**	**$ 3,840,071**	**$ 9,870,410**	**$ 7,677,120**

Affiliated Operators

Gross revenue from affiliated operators during the three months ended June 30, 2018 increased to $3.6 million versus $2.7 million during the three months ended June 30, 2017, representing a 33.3% ($0.9 million) increase which resulted primarily from interest and rent income, totaling $0.8 million and $0.3 million, respectively, from Buddy Boy Brands which is our largest affiliated operator located in Denver, Colorado.

Revenue from cultivation and management services fell to $2.5 million for the three months ended June 30, 2018, in comparison to $2.7 million of revenue during the three months ended June 30, 2017, representing a decline of 7.4% ($0.2 million), primarily due to fee reductions arising from continued pricing pressures in the medical and adult use marijuana prices in Colorado.

Gross revenue from affiliated operators during the six months ended June 30, 2018 grew to $7.8 million, representing a 41.8% ($2.3 million) increase over the six months ended June 30, 2017 gross revenue of $5.5 million, due to the interest and rent income from Buddy Boy Brands, which totaled $1.6 million and $0.6 million, respectively, during the six months ended June 30, 2018.

The interest and rent income earned is from debt and real estate acquired during the first quarter of 2017, as described below under financing activities during the six months ended June 30, 2018.

Non-affiliated operators

Gross revenue from non-affiliated operators during the three months ended June 30, 2018 decreased to $0.9 million in comparison to the three months ended June 30, 2017 gross revenue of $1.1 million, representing a decrease of 18.2% ($0.2 million), primarily as result of a $0.6 decline in consulting fees from pre-licensure application support and related projects. Slightly offsetting this decline was a $0.4 million increase in cultivation and management service income from operators located in Las Vegas, Nevada.

During the six months ended June 30, 2018, gross revenue from non-affiliated operators declined to $2.1 million, representing a 4.8% ($0.1 million) decrease from the six months ended June 30, 2017 gross revenue from non-affiliated operators of $2.2 million, mostly comprised of an increase in cultivation and management services fees from Las Vegas, Nevada based non-affiliated operators. This increase was offset by a 97% decline in consulting fees, with the six months ended June 30, 2018 consulting fees falling to $0.03 million from the six months ended June 30, 2017 consulting fee revenue of $0.9 million.

Gross Margin

Gross margin remained constant at 44.0% for the three months ended June 30, 2018 and the three months ended June 30, 2017, largely due to the increase in revenue from interest income and rent earned from affiliated operator Buddy Boy Brands, offset by declines in affiliated operator cultivation fees and non-affiliated operator consulting fees.

Operating Expenses

Compensation and Benefits

Compensation and benefits expense during the three months ended June 30, 2018 increased to $3.3 million, as compared to $2.6 million during the three months ended June 30, 2017, representing a 26.9% ($0.7 million) increase, primarily due to increased grow facility personnel at non-affiliated operator facilities located in Las Vegas, Nevada and the continued expansion of our executive team and corporate office personnel to support the Company's expansion into Canada and other U.S. legal cannabis markets such as Las Vegas, Nevada. The Company continues to expand its executive team and corporate office personnel to support our growth in Canada (under the exclusive agreement with GrowForce Holdings Inc.) and ongoing expansion into other U.S. legal cannabis markets such as Las Vegas, Nevada.

Compensation and benefits expense during the six months ended June 30, 2018 grew to $7.3 million, in comparison to $5.6 million for the six months ended June 30, 2017, which represents a 30.4% ($1.7 million) increase, due to increased grow facility personnel at non-affiliated operator facilities, the continued expansion of our executive team and corporate office personnel to support the Company's expansion in Canada (under the exclusive agreement with GrowForce Holdings Inc.) as well our ongoing expansion into other U.S. legal cannabis markets such as Las Vegas, Nevada.

Other Operating Expenses

During the three months ended June 30, 2018, other expenses increased to $0.9 million, representing an increase of 125.0% ($0.5 million) in comparison to $0.4 million for the three months ended June 30, 2017, primarily due to increased legal, consulting and travel expenses necessary to support the continued growth and expansion of the Company's U.S. and Canadian operations.

During the six months ended June 30, 2018, other expenses increased to $1.9 million, in comparison to $0.9 million for the six months ended June 30, 2017, representing an increase of 111.1% ($1.0 million) over the prior year, due to increased legal, consulting and travel expenses necessary to support the continued growth and expansion of the Company, including the additional capital markets advisory fees incurred in connection with the financing activities which occurred during the first quarter of fiscal 2018 as well as preparations for our going public transaction on the CSE.

Restructuring charge

During the three and six months ended June 30, 2018, the Company recorded a restructuring charge of $3.4 million which is entirely share-based and due to the Company's corporate reorganization in preparation for the planned public transaction on the Canadian Securities Exchange ("CSE"). Completed on June 27, 2018, the corporate restructuring terminated the incentive share program (i.e. "profits interests") and replaced it with a stock option plan. The restructuring charge is based on the issuance of 585,301 (at approximately $5.86 per share) common shares to management team members previously awarded incentive shares and negatively impacted by the termination of previously awarded incentive share "profits interests". The valuation of these share-based awards is equal to the equity valuation established to convert the Company's Series A Preferred Shares to common member equity during April 2018.

EBITDA and Adjusted EBITDA

The Company recorded EBITDA for the three months ended June 30, 2018 of ($3.2) million, as compared to $0.8 million during the three months ended June 30, 2017, representing a decline of 1,166.7% ($3.5 million), primarily due to the restructuring charge of $3.4 million, increased compensation and benefits, legal and consulting fees which were partially offset by increased revenue from interest and rent from an affiliated operator, Buddy Boy Brands.

The Company's Adjusted EBITDA for the three months ended June 30, 2018 of $0.2 million represents a decline of 75.0% ($0.6 million) in comparison to Adjusted EBITDA of $0.8 million for the three months ended June 30, 2017, due to the restructuring charge, increased compensation and benefits, legal and consulting fees, which were offset by increased revenue from interest and rent from an affiliated operator, Buddy Boy Brands.

During the six months ended June 30, 2018, the Company recorded EBITDA of ($2.3) million, as compared to $1.2 million during the six months ended June 30, 2017, which represents a decline of 291.7% ($3.5 million), primarily due to the restructuring charge of $3.4 million, increased compensation and benefits, legal and consulting, which were offset by increased revenue from interest and rent from affiliated operator Buddy Boy Brands.

The Company's Adjusted EBITDA for the six months ended June 30, 2018 of $1.1 million represents a decline of 8.3% ($0.1 million) in comparison to Adjusted EBITDA of $1.2 million for the six months ended June 30, 2017, due to increased compensation and benefits, legal and consulting fees, which were partially offset by increased revenue from interest and rent from an affiliated operator, Buddy Boy Brands.

Income Taxes

Since inception, the Company has not recorded a provision for income taxes because it is structured as a limited liability company electing treatment as a partnership for U.S. federal and state income tax purposes, whereby all income tax liabilities and benefits are passed through to its equity members.

Net (loss) Income

The Company recorded net (loss) income during the three months ended June 30, 2018 of ($4.2) million, as compared to $0.8 million during the three months ended June 30, 2017, primarily due to interest expense associated with the bridging loan payable and convertible debentures ($1.0 million in aggregate), share-based compensation ($3.4 million), and increased compensation and benefits and legal and consulting fees, which were partially offset by increased revenue from interest and rent from an affiliated operator, Buddy Boy Brands.

During the six months ended June 30, 2018, the Company recorded net (loss) income of ($4.8) million, as compared to $1.2 million during the six months ended June 30, 2017, primarily due to interest expense associated with the bridging loan payable and convertible debentures ($2.7 million in aggregate), share-based compensation

($3.4 million), and increased compensation and benefits and legal and consulting fees, which were partially offset by increased revenue from interest and rent from an affiliated operator, Buddy Boy Brands.

LIQUIDITY, CAPITAL RESOURCES, AND FINANCING ACTIVITIES

Liquidity and Capital Resources as at June 30, 2018

The Company's primary needs for liquidity are to fund expansion, capital expenditures, working capital requirements, debt service and for general corporate purposes. Our primary source of liquidity are funds generated by operating activities and proceeds from debt and equity issuances. Our ability to fund operations, make planned capital expenditures, and to meet scheduled debt payments depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

As of June 30, 2018, we had $1.4 million of cash and $8.6 million of working capital (current assets minus current liabilities, excluding bridging loan payable), as compared to our financial position at December 31, 2017, when we had $5.7 million of cash and working capital of $5.3 million (current assets minus current liabilities, excluding escrowed funds and bridging loan payable). This $3.3 million working capital increase is primarily due to capital raising activities closed during January 2018 and an increase in amounts due from affiliated operators for working capital advances for to affiliated operators for capital improvements to owned grow facilities and dispensary locations, including capital improvements to an affiliated operators outdoor grow located in Pueblo, Colorado.

Financing Activities during the six months ended June 30, 2018

At December 31, 2017, the Company held a receivable for escrowed funds which was released on January 17, 2018 upon closing the acquisition of Buddy Boy Brands promissory notes, property and equipment and goodwill and other intangible assets, as follows:

Source of escrowed funds receivable		Amount
Bridging loan payable	$	25,623,590
Brokered convertible debentures offering		15,000,000
Brokered equity offering		5,000,000
Non-brokered convertible debentures offering		4,700,000
Currency translation adjustment		106,838
Total escrowed funds receivable, at December 31, 2017 *(Audited)*		**50,430,428**
<u>*Disposition of escrowed funds on January 17, 2017:*</u>		
Direct payment from escrow to seller of Buddy Boy Brands assets		(38,000,000)
Direct payments from escrow to legal counsel and others for transaction closing costs		(1,004,596)
Direct payment from escrow to third-party indemnification escrow agent pursuant to purchase and sale agreement to acquire Buddy Boy Brands assets		(2,000,000)
Deposit of remaining proceeds from financing transactions into Company treasury		(5,250,748)
Remaining balance in escrowed funds receivable as of – January 18, 2018		**4,175,084**
Adjustments for deferred transaction costs, in-kind interest and foreign currency		231,263
Assignment of Canadian Facility of bridging loan payable GrowForce as of February 26, 2018, the date of the spin-off of GrowForce Holdings Inc.		(4,406,347)
Escrowed funds receivable as of February 28, 2018	**$**	**-**

There were no additional financings completed by the Company during the six months ended June 30, 2018.

The Company's expected cash resources are sufficient to meet its short-term needs. Management estimates that the current cash position, future cash flows from operations and new equity financings should suffice for the Company to carry out its anticipated costs of operations through 2018. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its business objectives.

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company had the following obligations to make future payments, representing contracts and other commitments that are known and committed, as of June 30, 2018:

	Total	Less than 1 year	1-3 years	After 4 years
Accounts Payable and accrued liabilities	$ 855,166	$ 855,166	$ -	$ -
Other current liabilities	303,761	303,761	-	-
Forward currency contract	926,542	926,542		
Bridging loan payable, net	20,206,252	20,206,252	-	-
Derivative liability	2,629	-	2,629	-
Convertible debentures, net	162,120	-	162,120	-
Indemnification escrow payable	2,000,000	-	2,000,000	-
Total	**$ 24,456,470**	**$ 22,291,721**	**$ 2,164,749**	**$ -**

The Company leases its corporate office space in Denver, Colorado from a third party under operating lease agreements that specify minimum rentals. The leases expire during 2019 and contain certain renewal provisions.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

TRANSACTIONS WITH RELATED PARTIES

The following summarizes balances due from all affiliated operators as of June 30, 2018 and December 31, 2017:

	As of June 30, 2018 *(Unaudited)*	As of December 31, 2017 *(Audited)*
Due from affiliated operators:		
Operating activities:		
Interest receivable	$ 1,659,156	$ -
Rent receivable	584,214	-
Management fees receivable	872,364	495,774
Total due from operating activities	3,115,734	495,774
Investing activities:		
Short-term loan to F&L Investments, LLC	500,000	-
Working capital advances	784,413	268,504
Short-term loan to Next1 Labs	20,000	20,000
Due from GrowForce Holdings Inc.	3,100,834	-
Total due from investing activities	4,405,247	288,504
Total due from affiliates	**$ 7,520,981**	**$ 784,278**

The following summarizes gross revenue earned from affiliated operators for the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cultivation and management services	$ 2,462,648	$ 2,742,038	$ 5,568,527	$ 5,445,034
Interest	843,515	-	1,620,743	-
Rent	297,178	-	584,214	-
Gross revenue from affiliated operators	$ 3,603,341	$ 2,742,038	$ 7,773,484	$ 5,445,034

Key management compensation

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. Compensation provided to key management is as follows:

	Three months ended June 30,				Six months ended June 30,			
	2018		2017		2018		2017	
Compensation and benefits	$	243,654	$	71,935	$	611,136	$	151,358
Incentive shares awarded		-		-		-		-
Share-based compensation		3,429,864		-		3,429,864		-
Totals	**$**	**3,673,518**	**$**	**71,935**	**$**	**4,041,000**	**$**	**151,358**

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial Instruments

Fair value of assets and liabilities

The fair value of cash and cash equivalents, escrowed funds, accounts receivable, due from members and affiliates, accounts payable and other current and non-current liabilities approximate their carrying values due to the relatively short-term maturity of these financial instruments. Cash includes demand deposits with financial institutions.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels since inception of the Company.

The following table summarizes the Company's assets and liabilities according to their respective level designation within the fair value hierarchy as of June 30, 2018:

Financial Assets (Unaudited)		**Total**		**Level 1**		**Level 2**		**Level 3**
Cash and cash equivalents	$	1,383,454	$	1,383,454	$	-	$	-
Margin deposit		1,051,658		1,051,658				
Accounts receivable, net		182,437		182,437		-		-
Due from affiliates		7,520,981		7,520,981		-		-
Prepaid expenses and other current assets		601,290		601,290		-		-
Total Financial Assets *(Unaudited)*	**$**	**10,739,820**	**$**	**10,739,820**	**$**	**-**	**$**	**-**

Financial Liabilities (Unaudited)		**Total**		**Level 1**		**Level 2**		**Level 3**
Accounts payable and accrued liabilities	$	855,166	$	855,166	$	-	$	-
Other current liabilities		303,761		303,761		-		-
Forward currency contract		926,542		-		926,542		-
Derivative liability		2,629		-		-		2,629
Convertible debentures, net		162,120		-		162,120		-
Indemnification escrow payable		2,000,000		2,000,000		-		-
Bridging loan payable, net		20,206,252		-		20,206,252		-
Total Financial Liabilities *(Unaudited)*	**$**	**24,456,470**	**$**	**3,158,927**	**$**	**21,294,914**	**$**	**2,629**

Additional information related to fair value of financial instrument liabilities

The fair value of financial instrument liabilities is comprised of the following:

	At June 30, 2018 *(Unaudited)*	At December 31, 2017 *(Audited)*
Forward currency contract	$ 926,542	$ -
Conversion feature of convertible debentures	2,629	1,674,320

Total interest expense for financial liabilities that are not at fair value through profit or loss can be summarized as follows:

	Three months ended June 30, *(Unaudited)*		Six months ended June 30, *(Unaudited)*	
	2018	**2017**	**2018**	**2017**
Bridging loan payable:		-		-
Cash interest paid	$ -	$ -	$ 665,695	$ -
Interest paid in-kind	213,134	-	420,208	-
Accrued interest payable	546,156	-	546,156	-
Accretion of transaction costs	202,044	-	335,671	-
Total bridging loan interest expense	961,334	-	1,967,730	-
Convertible debentures:				
Cash interest paid	-	-	-	-
Interest paid in-kind	-	-	332,833	-
Accrued interest payable	4,944	-	9,056	-
Accretion of transaction costs	2,888	-	126,502	-
Total convertible debentures interest expense	7,832	-	468,391	-
Total interest expense	$ 969,166	-	$ 2,436,121	$ -

FINANCIAL INSTRUMENT RISKS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include regulatory risk, foreign currency risk, interest rate risk, credit risk, liquidity risk, and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash, loans and other receivables, and notes receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date.

All the Company's cash is held with state-chartered credit unions and other regulated financial institutions, and thus the exposure to credit risk is considered insignificant. Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through its capital management process.

The Company holds adequate cash and working capital to ensure sufficient liquidity is maintained. The following summarizes the maturity of the Company liabilities which are due within the twenty-four months following June 30, 2018:

			As of June 30, 2018		
		Total		**Anticipated settlement within one year**		**Anticipated settlement within two years**
Accounts payable and accrued liabilities	$	855,166	$	855,166	$	-
Other current liabilities		303,761		303,761		-
Forward currency contract		926,542		926,542		-
Derivative liability		2,629		-		2,629
Convertible debentures, net		162,120		-		162,120
Indemnification escrow payable		2,000,000		-		2,000,000
Bridging loan payable, net		20,206,252		20,206,252		-
	$	**24,456,470**	**$**	**22,291,721**	**$**	**2,164,749**

The Company holds sufficient cash and working capital to ensure sufficient liquidity is maintained.

Foreign currency risk

The Company is exposed to foreign currency risk at the end of the reporting period through its Canadian dollar denominated bridging loan payable. As of June 30, 2018, a 10% depreciation or appreciation of the CAD against the USD would have resulted in an approximate $2.1 million decrease or increase, respectively, in total comprehensive income (loss). On an ongoing basis, the Company's CAD denominated revenues and operating expenses are also impacted by fluctuations in foreign currency exchange rates.

To mitigate the risk of foreign currency exchange rate fluctuations associated with the Canadian dollar denominated bridging loan payable, the Company entered into the following forward contract on February 23, 2018:

Notional amount: CAD$25,579,231
Value date: 28 Sep 2018
Exchange rate: 1.2412

The following table summarizes the impact of the forward currency contract on the statements of operations and comprehensive (loss) during the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30, *(Unaudited)*				**Six months ended June 30, *(Unaudited)***			
		2018		**2017**		**2018**		**2017**
Loss on forward currency contract	$	(376,015)	$	-	$	(926,542)	$	-
Gain on currency translation of bridging loan payable		247,017		-		925,986		-
Loss on escrowed funds		-		-		(106,838)		-
Foreign currency transaction losses, net	$	(128,998)		-	$	(107,394)	$	-

The foreign currency transaction losses, net is included under total other (expense) income, net in the condensed interim combined consolidated statements of operations and comprehensive (loss) income for the three and six months ended June 30, 2018 and 2017.

As of June 30, 2018, the Company maintains a margin deposit balance of $1,051,658 with Monex Canada Inc. which is presented separately in an account named margin deposit in the condensed interim combined consolidated statement of financial position.

Interest rate risk

At June 30, 2018, the Company has significant exposure to interest rate risk through its bridging loan payable, which bears interest at a rate of (i) BNS (Bank of Nova Scotia) Prime plus (ii) ten and eight tenths percent (10.8% per annum), for a total interest rate of 14.0%. Effective January 17, 2018, the BNS Prime rate increased from 3.20% to 3.45%, resulting in an increased interest rate of 14.25% for the bridging loan payable.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.