

MJardin Group, Inc.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise stated)

MJardin Group, Inc
Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2019 and 2018

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of MJardin Group, Inc. ("the Company" or "MJardin") for the three months and six months ended June 30, 2019. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019 (the "**Q2FY19**" or "Q2/19"), and the audited consolidated annual financial statements for the year ended December 31, 2018 ("**FY 2018**"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Condensed Interim consolidated financial statements were also prepared in accordance with Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. This MD&A provides information on the operating activities, performance and financial position of the Company, and is intended to assist in understanding of the Company's business and key factors underlying its financial results. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Additional information relating to the Company can be found on the Company's website at www.MJardin.com.

FORWARD LOOKING INFORMATION

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward-looking statements include but are not limited to the expected costs, completion dates of the facilities, production capacity, receipt of licenses, etc.

Assumptions

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements may or may not adversely affect the business; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition and product demand; (viii) the products and technology offered by the Company's competitors; and (ix) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers

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should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management as of August 29, 2019, the date of this MD&A.

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BUSINESS OVERVIEW

MJardin Group, Inc., formerly known as Sumtra Diversified Inc. (the “**Company**” or “**Sumtra**”) was formed by amalgamation on August 30, 1978 under the laws of the province of Ontario, and carried on business as a “Capital Pool Corporation”. On November 13, 2018, MJAR Holdings Corp. completed a three-cornered amalgamation or business combination for the purpose of effecting a reverse takeover of Sumtra by MJAR Holdings Corp. (the “**RTO Transaction**”). Thereafter its fiscal year end changed from August 31 to December 31 and its shares were delisted from the TSX Venture Exchange. On November 15th, 2018, the Company commenced trading on the Canadian Securities Exchange under the ticker symbol: MJAR.

On September 7, 2018 MJAR Holdings Corp. and Sumtra entered into a definitive agreement to carry out the RTO Transaction, and the transaction was completed on November 13, 2018. Shortly before the completion of the transaction, the Company consolidated its capital on a one new share for thirty-one and one-half old shares (1:31.5) basis. The Company's subsidiary, MJAR Subco, amalgamated with MJAR Holdings Corp. with the shareholders of MJAR Holdings Corp. receiving shares of the Company on a 1:1 basis.

The legal acquisition of Sumtra by MJAR Holdings Corp. constituted a reverse asset acquisition as Sumtra did not meet the definition of a business and its main attribute was its public listing. The transaction was accounted for in accordance with *IFRS 2 “Share Based Payment”*. For accounting purposes, MJAR Holdings Corp. was deemed to have acquired 100% of the outstanding shares of Sumtra Diversified Inc by issuing 217,814 shares to Sumtra estimated at \$12.00 per share, the value of shares based on the concurrent financing.

The completion of the RTO Transaction resulted in the former shareholders of Sumtra holding approximately 1% of MJAR Holdings Corp. Accordingly, MJAR Holdings Corp. was considered to have acquired Sumtra with the transaction being accounted for as a reverse takeover of Sumtra by the MJAR Holdings Corp. shareholders, and Sumtra changed its name to MJardin Group, Inc.

The Company has two operating segments: (1) MJardin USA, which is located in the USA, and provide professional management and cultivation services primarily through the following operating entities: MJAR Holdings, LLC (“**MJardin Holdings**”), MJardin Management, LLC (“**MJardin Management**”), MJardin Services, Inc. (“**MJardin Services**”), MJardin Capital, LLC (“**MJardin Capital**”) and Ringsby Services Inc. (“**Ringsby**”); and (2) GrowForce Group, which is located in Canada, where the Company is a principal owner of cannabis production facilities. The GrowForce Group includes: GrowForce Holdings Inc. (“**GrowForce**”), the parent company which owns all the Canadian subsidiaries, including 8586985 Canada Corp, GrowForce Manitoba Inc., Grand River Organics Inc., GrowForce AC Holdings Inc., GrowForce I.N. Ltd, and GrowForce Ontario First Nations A Ltd.

MJardin USA

Managed Services (USA)

MJardin USA provides operational solutions for licensed cannabis cultivators, processors and dispensaries principally located in the United States and Canada, including: providing strategic capital and financing, project management services for cultivation, licensure support, facility design, systems implementation, equipment leasing, construction oversight, facility ramp-up, day-to-day personnel management and oversight. The Company provides its services through the following operating entities: MJAR Holdings, MJardin Management, MJardin Services and MJardin Capital.

Managed Services – Ringsby

Ringsby is a wholly-owned subsidiary which, pursuant to master services agreements, provides a wide range of services to licensed producers who are clients, investees, affiliates, and joint venture partners of GrowForce. Services include design, consulting and management services related to the cultivation and harvest of legal cannabis, the extraction, sale, and commercialization of products therefrom, the design and operation of cannabis facilities. In

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addition, it provides Human resources and administrative services of workforce recruitment, training, and deployment.

GrowForce Group

GrowForce was incorporated pursuant to the Ontario Business Corporations Act (“**OBCA**”) on February 2, 2018. GrowForce is a Canadian cannabis company whose principal activities are the production and sale of cannabis and cannabis based products in Canada. The Company is a holding company and the majority of its operating assets are the capital stock of its subsidiaries.

8586985 Canada Corp.

8586985 Canada Corp. (“**WILL Cannabis**” or “**8586985 Canada Corp.**”) is a licensed producer of medical and recreational cannabis in Canada. WILL holds a sales license issued by Health Canada pursuant to the Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) which allows the Company to cultivate cannabis plants and produce fresh and dried cannabis products at its facility in Brampton, Ontario (the “**Brampton Facility**”).

WILL Cannabis was founded on July 22, 2013 and completed construction of its current facility in November 2017. The Brampton Facility consists of approximately 31,000 square feet of indoor cultivation space. The Company acquired 100% of Will Cannabis on April 22, 2018.

GrowForce Manitoba Inc.

GrowForce Manitoba Inc. is a wholly-owned GrowForce subsidiary, which owns a facility in Winnipeg (the “**Winnipeg Facility**”). The Winnipeg Facility is a 120,000 square foot building, which was previously a food processing plant. GrowForce has initiated the retrofit of the Winnipeg Facility and is currently awaiting Health Canada approval for the receipt of a Cultivation and Processing License.

Grand River Organics Inc.

GrowForce has a 76.01% equity interest in Grand River Organics Inc. (“**GRO**” or “**Grand River Organics**”). Grand River Organics, through its wholly-owned subsidiary Highgrade MMJ Corporation (“**HMMJ**”) owns the Dunnville Facility (“**Dunnville Facility**”). HMMJ is a late-stage applicant to become a Licensed Producer under the ACMPR, HMMJ’s application was submitted to Health Canada on September 15, 2014.

GRO was incorporated on July 1, 2017. The Dunnville Facility completed construction of approximately 11,000 square feet of cannabis production capacity and is currently awaiting Health Canada approval for the receipt of a Cultivation and Processing License.

GrowForce Holdings AC Inc.

GrowForce AC Holdings Inc. is a wholly-owned GrowForce subsidiary, which was formed to hold a joint venture interest in AtlantiCann Medical Inc. (“**AMI**”). On December 7, 2018, AMI received its cultivation license pursuant to the ACMPR. GrowForce made a second cash payment of \$15,000,000 to indirectly acquire a 50% interest in AMI. AMI has a 48,300 square foot cultivation facility, which was completed on October 26, 2018. Phase II expansion of the AMI facility will add approximately 20,000 square feet to the facility and is expected to be completed in Q4FY19. The Company has injected \$273,000 into AMI for working capital purposes. In addition, \$2,000,000 has been injected into AMI as a Phase II construction capital contribution.

GrowForce I.N. Ltd.

GrowForce I.N. Ltd. (“**GrowForce I.N.**”) is a wholly-owned GrowForce subsidiary, which was formed to hold GrowForce’s investments, partnerships, and joint ventures with First Nations parties. GrowForce I.N. was incorporated pursuant to the OBCA on June 19, 2018.

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GrowForce Ontario First Nations A Ltd.

GrowForce Ontario First Nations A Ltd. ("**GrowForce First Nations**") is a wholly-owned GrowForce subsidiary, which was formed to hold GrowForce's joint venture with Rama First Nation ("**Rama**"). GrowForce Ontario First Nations was incorporated on Oct 10, 2018.

KEY BUSINESS DEVELOPMENTS

The following activities occurred during the six months ended June 30, 2019 and up to the date of this MD&A:

Operating Activities

WILL Cannabis In Q2FY2019, WILL Cannabis executed one wholesale transaction to licensed producers representing 67.2 kgs and \$478 thousand in revenues. The facility continues to achieve strong yields above 60 grams of flower (360 grams annualized) per square foot of bench space, with strains containing THC content ranging from 21% to 28%. The Company continues to focus on completing an upgrade of the facility to increase production capacity to 3,000 kgs of dried flower per year, with the planned addition of 9 grow rooms. The upgrade is anticipated to be completed in early Q4FY2019. In the six months ended June 30, 2019, WILL delivered total sales of 238.9 kgs of dried flower and trims, with sales revenue of \$1.6 million.

Grand River Organics.

Construction of the GRO facility was completed in May 2019. The Company submitted the Evidence of Readiness package on May 28, 2019. The Company anticipates the receipt of a cultivation license in early Q3FY2019. Key roles have been hired and standard operating procedures are in place to begin cultivation upon receiving the license.

AMI

On March 18, 2019, the AMI facility completed its first harvest with dried production of 56.8 kgs of flower and 14.3 kgs of trim. As of April 2019, Phase 1 of the facility was operating at full capacity, with expected dried cannabis production of approximately 100 kgs of flower and 30 kgs of trim every 10 days. The facility currently has a cultivation and processing license and anticipates receiving its sales license in Q3FY2019. Additionally, expansion activities continue with the buildout of on-site extraction, GMP certification and a Phase II facility expansion which will bring the total facility size up to 68,000 sq. ft. (from the current 48,000 sq. ft.). All these activities are on track for completion in Q4FY2019.

Warman

The Company completed the construction of Phase I of the Warman facility on schedule. Phase I consists of a 11,000 sq. ft facility, with 432 sq. ft. of bench space with capacity to produce 10 kgs of flower per month. It also includes packaging and secure storage for processing and distributing products for re-sale. The Company will be submitting the Evidence of Readiness package for this facility in Q3FY2019 and anticipates a cultivation license in early Q4FY2019. We have shifted the date we anticipate receipt of our cultivation license due to the backlog Heath Canada is experiencing.

Cheyenne

While the transaction to acquire Cheyenne has not yet closed at June 30, 2019, the transaction closed in July 2019, when the Company received approval from the state of Nevada on GreenMart of Nevada LLC's cultivation licenses for both medical and recreational cannabis in Nevada on July 23, 2019. See subsequent events note for more details. The Company commenced upgrade activities at the Cheyenne facility, with the completion of design and drawings. The upgrade is anticipated to be complete in Q1FY2020.

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Financing Activities

AMI JV – Partial Disposition

On March 29, 2019, the Company and its JV partner sold a portion of their ownership stake in AMI to Mi'kmaq First Nations. The Company sold 11% of its ownership in GrowForce AC Holdings Inc. ("GFAC") to the Mi'kmaq First Nations, while its JV partner sold 40% of its ownership in AMI to the Mi'kmaq First Nations. Following the completion of these transactions, the pro forma equity ownership of GFAC, which owns 100% of the operating company of AMI, is the Mi'kmaq First Nations with 51%, the Company with 39%, and the JV partner with 10%. Additionally, AMI entered into a management services agreement with Ringsby Services Inc., a wholly-owned subsidiary of the Company, to provide cultivation management services to AMI.

The Company received gross proceeds of approximately \$8.25 million from the disposition of its 11% equity stake in AMI. These proceeds were used to repay a portion of its principal senior debt.

Senior Debt Amendment

On May 29, 2019, the Company and its senior lender entered into an agreement to amend the terms of the Company's loan facilities. Prior to the amendment, the loan facilities were callable at any time. The amendment removed the callable feature and replaced it with a term structure and covenants. The amended loan facilities replaced all the previous loans terms and established new terms with a maturity date of April 23, 2021. The interest rate on the loans changed to prime plus 9.55% per annum calculated on the principal amount of the facility outstanding, accruing daily and compounded monthly, not in advance. Accrued interest on the outstanding principal amount of the facility will be due and payable monthly in cash, in arrears, on the first business day of each month. The repayment of principal amounts of the facility shall be payable in an amount based on a straight-line amortization that would result in the outstanding principal amount of the facility being repaid in full on the date that is five years from June 30, 2020. The first principal payment shall be due and payable on July 1, 2020. In addition, the senior lender advanced \$20 million in additional borrowings to support the Company's growth operations.

Investment and Acquisition Activities

Rama First Nation Joint Venture

On January 8, 2019, the Company signed a definitive agreement for a joint venture with Rama First Nation ("Rama") to bring large-scale cannabis cultivation, extraction, and retail to the Rama, Ontario region. The joint venture's first major project will be the construction of a large-scale cannabis production facility. The ownership of the joint venture will be 51% by Rama and 49% by MJardin. MJardin, through its wholly-owned subsidiary Ringsby Services Inc., is engaged through a service agreement to provide a range of services to the joint venture including (i) design, consulting and management services related to the cultivation and harvest of legal cannabis (ii) the extraction, sale and commercialization of products therefrom (iii) the design and operation of cannabis facilities and (iv) workforce recruitment, training, and deployment.

The site for the facility has been selected. Design and site diligence have begun. The Company anticipates construction to begin in Q3/2019 with completion in Q3FY2020.

Cannabella Transaction

On April 18, 2019, the Company entered into a definitive agreement to acquire Carson City Agency Solutions, dba Cannabella, an operator of an extraction facility and producer of edibles and topicals in Carson City, Nevada. The transaction allows MJardin to add extraction capabilities to its cultivation assets in Nevada (pending closing of the Cheyenne Transaction), allowing the Company to use a portion of the cultivation output in the production of extracts for edibles, topicals and potentially vapes. In addition, Cannabella's products are being shipped to approximately 50 of the 60 retail dispensaries in Nevada. Cannabella expects to expand its footprint pursuant to the grant of approximately 50 additional licenses.

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The Company anticipates the closing of the transaction in QFY2019 upon transfer of the license.

Corporate Matters

On February 19, 2019, the Company hired Adrian Montgomery as Chairman of the Board and Interim Chief Executive Officer. In this role, Mr. Montgomery has been the driving force behind the vision and strategic direction of the business. Additionally, the Company added Lorne Sugarman to its Board of Directors. Mr. Sugarman brings a broad range of experience in corporate finance transactions, including mergers and acquisitions and public and private financings.

On May 8, 2019, the Company appointed James Lowe to the Board of Directors. Mr. Lowe brings a wealth of cannabis industry knowledge. He is a co-founder of MJardin and served as the Company's President of Cultivation from 2014 to 2017. In addition, Mr. Lowe (i) founded and operates Cloud 9 Support LLC, a horticulture supply firm (ii) co-founded Potco, LLC, a medical marijuana dispensary and cultivation brand and (iii) founded and owns 100% of Next1 Labs, an extraction facility.

On May 8, 2019, the Board of Directors appointed Pat Witcher as the Company's Chief Operating Officer. Mr. Witcher has extensive experience in cannabis operations and compliance. He is a former law enforcement officer with the United States Drug Enforcement Administration and the Kansas City Police Department. He has served as the Chief Compliance Officer at MJardin from October 2017 to April 2018. Previously, Mr. Witcher was the President of Buddy Boy Brands from 2014 to 2017.

Outlook

Management is focused on the build out of key assets in the Company's portfolio. The Company's business model is a graduated build out of its core assets during FY2019 and FY2020. The collective team at MJardin has decades of combined experience in designing, building and operating cannabis facilities. Management is confident in its projections of meeting the following key operating deliverables in FY2019 and FY2020:

- Full build out completed in FY2019 of WILL, GRO and AMI, with substantial completion of the Cheyenne and Warman facilities anticipated in FY2020;
- Production target of ~2,700 kgs of dried flower (owned production) for FY 2019, with an exit FY2019 run rate of ~6,500 kgs;
- Management expects FY2020 production numbers of ~12,300kgs of dried flower;
- The business will be EBITDA positive in FY2020 beginning in the first quarter;
- Transfer of licenses at Cannabella, and full integration of the businesses to enhance margins and market share;
- Continued pursuit of long-term supply agreements to hedge price exposure of Canadian production; and
- Implementation of HB 1090 in the state of Colorado to have positive impact for the regulated medical and recreational cannabis market in Colorado.

OPERATING SEGMENTS OVERVIEW

From inception through December 31, 2017, the Company operated as a single segment providing managed services to license owners in the form of project management services for cultivation, licensure support, facility design, systems implementation, equipment leasing, construction oversight, facility ramp-up, and day-to-day personnel management and oversight.

In 2018, the Company made the strategic decision to add principal ownership of cultivation facilities and acquired GrowForce. GrowForce has significant ownership in cannabis cultivation facilities, which engages in either retrofit or construct production facilities to meet Health Canada cultivation license requirements, and subsequently the cultivation and sale of cannabis products in Canada (upon receipt of the requisite Health Canada licenses).

For the three and six months ended at June 30, 2019, the operating summary of the segments are as below:

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Three months ended June 30, 2019				Three months ended June 30, 2018	
	Cultivation management in USA	Cultivation Operations in Canada	Total	Cultivation Management in USA	Total
Revenue	7,165,187	477,736	7,642,923	5,819,110	5,819,110
Cost of revenue	(4,510,012)	(203,993)	(4,714,005)	(3,394,742)	(3,394,742)
Gross margin before undernoted	2,655,175	273,743	2,928,918	2,424,368	2,424,368
%	37%	57%	38%	42%	42%
Fair value in biological assets included in inventory sold and other inventory costs	-	(177,589)	(177,589)	-	-
Unrealized gain on changes in fair value of biological assets	-	884,809	884,809	-	-
Gross margin	2,655,175	980,963	3,636,138	2,424,368	2,424,368
Total Assets	95,724,124	265,012,574	360,736,698	71,510,045	71,510,045
Total Liabilities	57,798,923	123,529,830	181,328,753	32,204,282	32,204,282
Working Capital	10,079,685	14,544,034	24,623,719	11,396,051	11,396,051

Six months ended June 30, 2019				Six months ended June 30, 2018	
	Cultivation management in USA	Cultivation operation in Canada	Total	Cultivation management in USA	Total
Revenue	16,068,623	1,587,514	17,656,137	12,615,371	12,615,371
Cost of revenue	(10,302,742)	(1,135,118)	(11,437,860)	(7,358,932)	(7,358,932)
Gross margin before undernoted	5,765,881	452,396	6,218,277	5,256,439	5,256,439
%	36%	28%	35%	42%	42%
Fair value in biological assets included in inventory sold and other inventory costs	-	(296,269)	(296,269)	-	-
Unrealized gain on changes in fair value of biological assets	-	1,769,281	1,769,281	-	-
Gross margin	5,765,881	1,925,408	7,691,289	5,256,439	5,256,439
Total Assets	95,724,124	265,012,574	360,736,698	71,510,045	71,510,045
Total Liabilities	57,798,923	123,529,830	181,328,753	32,204,282	32,204,282
Working Capital	10,079,685	14,544,034	24,623,719	(15,211,543)	(15,211,543)

Cultivation Management Segment (USA)

The Managed Services segment provides management services to affiliated and unaffiliated large-scale commercial enterprises operating in legal cannabis markets across the United States and Canada. Licensed operators owned or controlled by one or more related parties of the Company such as 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”.

1). Affiliated Operators

During the three and six months ended June 30, 2019, the affiliated operators were based primarily in the United States (Denver, Colorado and Las Vegas, Nevada). The Company’s affiliated operators in Las Vegas (Cheyenne and Warm Springs) completed their first harvests during the first quarter of 2019. In July 2019, the Cheyenne project received its

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cultivation licenses, and the purchase transaction initiated back in August 2018 for MJardin USA to own 100% of Cheyenne project has been completed upon the receipt of the cultivation licenses granted by the state of Nevada.

2). Non-affiliated operators

During the fiscal year ended December 31, 2017, non-affiliated operators were located across the United States. Historically, 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.

3). Ringsby

During the six months ended June 30, 2019, Ringsby signed master services agreements with the AMI joint venture and the Rama joint venture to build out and manage the joint venture operating facilities for the design, build-out and management services.

In addition, after the acquisition of GrowForce, Ringsby terminated its master services agreements with its 100% wholly owned subsidiaries - 8586985 Canada Corp. and GrowForce Manitoba Inc.

Cultivation Operations Segment (Canada)

This business segment is comprised of three facilities at various stages of development at June 30, 2019. WILL Cannabis started operation in Q2FY2018, and AMI started production in Q1FY2019. In the six months ended June 30, 2019, both entities had harvest and sales of their respective cultivation operations. WILL Cannabis executed one wholesale transaction representing approximately 67.2 kgs of dried product. For year to date six months operation, WILL Cannabis generated total sales of 238.9kgs and with sales of \$1.6 million.

AMI successfully completed Phase 1 and harvested its first production in March 2019. During the six months ended June 30, 2019, AMI generated sales of \$1,269,551, with approximately 310,753 grams of dried flower and trim in inventory as at June 30, 2019.

HMMJ completed its construction in May 2019 and anticipates receipt of its cultivation license in Q3FY2019.

ANALYSIS OF THREE AND SIX MONTHS ENDED JUNE 30, 2019 & 2018 OPERATIONAL RESULTS

The table below summarizes information regarding the Company's loss from operations and other financial information for the periods presented in accordance with IFRS and on a consistent basis with the corresponding condensed interim consolidated financial statements and related notes.

	Six months Profits and losses		Three months Profits and losses	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
profit and loss line items	\$	\$	\$	\$
Revenue	17,656,137	12,615,371	7,642,923	5,819,110
Direct operating costs	(11,437,860)	(7,358,932)	(4,714,005)	(3,394,742)
Gross margin before undernoted	6,218,277	5,256,439	2,928,918	2,424,368
	35%	42%	38%	42%
Fair value in biological assets included in inventory sold and other inventory costs	(296,269)	-	(177,589)	-
Unrealized gain on changes in fair value of biological assets	1,769,281	-	884,809	-
Gross margin	7,691,289	5,256,439	3,636,138	2,424,368
Operating expenses				
Depreciation	629,246	33,929	205,756	17,729
Payroll and benefits	5,856,724	1,942,699	2,704,690	840,759
Share based compensations	12,715,432	4,383,709	12,715,432	4,383,709

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Sales, general and administrative	5,395,279	2,352,681	1,869,221	1,134,001
Bad debts	1,122,030	-	569,232	-
Total operating expenses	25,718,711	8,713,018	18,064,331	6,376,198
Net loss from continuing operations	(18,027,422)	(3,456,579)	(14,428,193)	(3,951,830)
Other (losses) gains				
Loan initiation fees	(2,267,792)	-	(2,267,792)	-
Interest expenses	(8,551,380)	(3,113,606)	(3,971,564)	(1,258,348)
Income from equity investments	13,480	-	237,545	-
Gain on disposition of equity investment	1,433,706	-	-	-
Gain on loans modification	8,076,558	-	8,076,558	-
Other expenses	(335,921)	-	(354,904)	26,755
Realized loss on foreign exchange	(61,735)	470,554	31,477	(470,554)
Total other gain (expenses)	(1,693,084)	(2,643,052)	1,751,320	(1,702,147)
Net loss before income taxes and other comprehensive loss	(19,720,506)	(6,099,631)	(12,676,873)	(4,766,379)
Income tax expenses	1,206,440	-	550,885	-
Net loss for the periods	(20,926,946)	(6,099,631)	(13,227,758)	(4,766,379)

Revenue

Gross revenue for three months Q2FY2019 grew to \$7.6 million versus \$5.8 million for Q2FY2018, representing an increase of 31% (\$1.8 million in CAD), primarily due to growth in cultivation operation management services fees from affiliated operators, the launch of Ringsby Services in Canada, and the acquisition of GrowForce. In Q2FY2019, the acquired GrowForce assets contributed gross sales of \$0.5 million from cannabis production from its WILL Cannabis facility, with \$0.7 million from fair value adjustments of biological assets and inventory costs.

Gross revenue for six months Q2FY2019 grew to \$17.7 million versus \$12.6 million for six months of Q2FY2018, representing a 40% increase (\$5.1 million in CAD), primarily due to the growth in cultivation management services fees from affiliated operators and sales from Canada cultivation operations. Sales from Canada cultivation operations was approximately \$1.6 million for the six months period, with the fair value adjustment of \$1.5 million for biological assets and inventory costs.

Professional management and cultivation service fees revenues are primarily generated from two affiliated operators representing approximately 94% of gross revenues. The Company expects a significant diversification of both its customer base and geographic revenue contribution as the Canadian facilities come on-line and ramp up to full capacity for the remainder of Q3 and Q4 of FY2019.

Gross Margin

Gross margin decreased to 35% in Q2FY2019 from 42% in Q2FY2018, predominantly due to a shift away from non-affiliate operators and a focus on the affiliated operators in the Company's managed services business segment. The Company expects gross margins to expand in subsequent quarters as the Canadian operations ramp up.

Operating Expenses

Selling, General and Administrative ("SG&A") expenses

SG&A expenses for the three months Q2FY2019 decreased \$1.6 million to \$1.9 million from \$3.5 million expensed in Q1FY2019; These expenses increased \$0.8 million compared to \$1.1 million in Q1FY2018, due to the expansion of the operations in both USA and Canada. For Q2FY2019, the SG&A expenses consisted of professional fees of \$1.4 million and other general and administrative of \$0.5 million.

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SG&A expenses for the six months Q2FY2019 was \$5.4 million, an increase of \$3.0 million compared to \$2.4 million in six months of Q2FY2018. The six months Q2FY2019 expenses consisted of professional fees of \$2.6 million, investor relations of \$0.8 million, and other general and administrative of \$2.0 million. The increase of \$3.0 million in six months of Q2FY2019 compared to six months of Q2FY2018 was as follows: (i) professional fees of \$1.5 million; (ii) investor relations of \$0.7 million; and (iii) other general and administrative of \$0.8 million, primarily D&O insurance.

Compensation and Benefits

Payroll and benefits expenses for three months in Q2FY2019 was \$2.7 million compared to \$0.8 million for the three months in Q2FY2018. This represents an increase of 237% and was driven by the merger and acquisition of GrowForce, the launch of Ringsby Services, and the increase in operations facilities in Canada. However, there was a reduction in Q2FY2019 of \$0.5 million compared to the three months in Q1FY2019 as a result of rationalized headcount and payroll cost reductions.

Share based compensation

The Company granted a total of 6,004,835 restricted share units (“RSUs”) at December 31, 2018. In addition, 1,000,000 RSUs were reserved in a legal settlement agreement for GrowForce Manitoba. In the first quarter ended March 31, 2019, the Company issued 524,635 RSUs to consultants and other third parties for settlement of services at fair market value. For the six months period ended June 30, 2019, 50% of the RSUs issued were vested. During the second quarter ended June 30, 2019, 304,900 RSUs were issued to new employees, and 445,900 RSUs units were forfeited on employment terminations. The net RSUs at June 30, 2019 were 5,863,835 with an RSUs reserve value of \$36,765,441.

The Company granted four tranches of options as follows: (i) two tranches were issued to employees as incentive share options with a total number of 2,665,620 units, to be vested quarterly in its three consecutive years; (ii) two tranches of 192,000 units granted to consultants. During the period ended June 30, 2019, an additional 171,000 option units were issued to employees, and 546,585 option units were cancelled based on the equity incentive plan. The net options units outstanding were 2,482,035, with an option reserves value of \$6,215,288.

The RSUs and share options are amortized based on their respective vesting periods. In the six months ended June 30, 2019, \$12.7 million share-based compensation expenses were recorded for RSUs and options reserves. This expense was driven by the short vesting periods of RSUs and the high per unit strike price of share options on their grant dates.

Bad Debt expense

The Company recorded a bad debt of \$1.1 million on the interest receivable on promissory notes due from affiliated operators in Q2FY2019. Please see “Transactions with Related Parties” section for more details.

EBITDA and Adjusted EBITDA

The Company recorded EBITDA for three months in Q2FY2019 of (\$8.5) million vs. (\$3.5) million in Q2FY2018. On an adjusted basis, Adjusted EBITDA for Q2FY19 was (\$4.1) million vs. \$0.4 million in Q2FY2018. The EBITDA for six months in Q2FY2019 was (\$10.6) million vs. (\$3.0) million for the same period in the prior year. The adjusted EBITDA for six months in Q2FY2019 was (\$7.3) million vs. \$1.0 million for six months ended June 30, 2019. See detailed summary below:

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	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
EBITDA	(8,499,553)	(3,490,302)	(10,539,880)	(2,952,096)
Adjustments:				
Add: Share based compensation	12,715,432	4,383,709	12,715,432	4,383,709
Deduct: Gain on disposition of equity investment	-	-	(1,433,706)	-
Deduct: Gain on loan modifications	(8,076,558)	-	(8,076,558)	-
Deduct: Foreign exchange loss (gain)	(31,477)	(470,544)	61,735	(470,554)
Add: Loss from equity investment	(237,545)	-	(13,480)	-
Adjusted EBITDA	(4,129,701)	422,863	(7,386,457)	961,059

Net Income (Loss)

During the three and six months of FY2019, the Company's losses from operations increased to \$13.2 million and \$20.9 million respectively from a net loss of \$4.8 million and \$6.1 million in three months and six months of FY2018. The increase in net loss of three and six months respectively was primarily due to: (i) the increase in share based compensation expenses of \$8.3 million in Q2FY2019 compared to Q2FY2018; (ii) increase in interest expenses of \$2.7 million and \$5.5 million; (iii) an increase in SG&A expenses of \$3.0 million; (iv) increase in payroll and benefits of \$1.9 million and \$3.9 million; and (v) the overall expansion of MJardin in both the USA and Canada.

FINANCIAL POSITION

	As at June 30, 2019	As at March 31, 2019	As at December 31, 2018
Cash & cash equivalents	15,739,329	19,177,429	30,440,314
Working capital	24,623,719	(118,517,421)	(110,743,219)
Biological assets	960,346	346,979	139,744
Cannabis inventory	1,376,597	582,260	844,098
Total assets	360,736,698	326,682,855	335,517,241
Total liabilities	181,328,753	175,120,360	173,764,785

The following is a discussion of the changes to the Company's financial position as at June 30, 2019 and December 31, 2018:

ANALYSIS ON FINANCIAL POSITION AT JUNE 30, 2019

LIQUIDITY AND CAPITAL RESOURCES

During the three and six months ended June 30, 2019, the Company recognized \$7.6 million and \$17.7 million in revenues predominantly from its managed services business, with an increasing contribution from its Canadian Cannabis Cultivation operations. The fair value increase from the fair value adjustments of biological assets net of inventory costs for the three months and six months periods were \$0.7million and \$1.5 million respectively. Based on its rapid growth, the Company relied on loans and equity financings to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to fund its working capital requirements and business development plans.

Working capital as of June 30, 2019 was \$24.7 million, vs. (\$118.5) million at March 31, 2019 ((\$110.7) million at Dec 31, 2018) comprised of total current assets of \$40.7 million and total current liabilities of \$16.0 million. Total cash position was \$15.7 million (\$33.4 million at Dec 31, 2018), of which \$3.0 million was restricted cash held in trust or escrow accounts. The Company's major positive change in working capital position in Q2FY2019 was due to an amendment in its loan facilities in May 2019.

Financial Covenants

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In connection with MJardin's previously disclosed amended debt facilities, the Company is subject to financial covenants. As at June 30, 2019 and as of the date of this MD&A, the Company was in compliance with its financial covenants.

Operating Activities

Cash used in operating activities during the six months period in FY2019 was \$19.7 million, consisting of a net loss after income taxes of \$20.9 million, offset by non-cash items including depreciation of \$0.6 million, bad debt expense of \$1.1 million, payment-in-kind interest of \$5.2 million, share based compensation of \$12.7 million and a gain of \$8.1 million for loans modification. Changes in working capital included an increase in due from affiliates of \$4.8 million, and an increase in prepaids of \$4.0 million, and increase in payment of other current liabilities of \$1.7 million. These changes were offset by a decrease in accounts payable and accrued expenses of \$4.2 million. Cash used in operating activities in Q2FY2018 was \$5.7 million.

Investing Activities

Cash used in investing activities for the six months period of Q2FY2019 was \$4.3 million, and was attributed to the following key activities: (i) partial divestment in AMI for \$8.25 million; (ii) purchase of property, plant and equipment for \$10.0 million; and (iii) \$2.6 million cash advances to affiliates.

Financing Activities

Cash generated from the financing activities in the six months period of Q2FY2019 was \$10.8 million, consisting of: (i) \$20 million new loans; (ii) a repayment of original loans principal of \$8.25 million; and (iii) loan modification work fees of \$0.9 million paid to the senior lender.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, 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 financial performance or financial condition of the Company.

CONTRACTUAL OBLIGATIONS

In the normal course of business, the Company had the following obligations to make future payments, representing finance leases contracts on the right of use assets as at June 30, 2019 and December 31, 2018, respectively.

Finance lease commitments	June 30, 2019	Dec 31, 2018
Within one year	402,042	671,237
After one year but not more than five years	1,953,629	2,045,454
More than five years	5,199,377	5,199,377
Total lease commitment	7,555,049	7,916,068

TRANSACTIONS WITH RELATED PARTIES

The following summarizes transactions between the Company and its affiliates, and the related parties, which comprises all affiliated operators, and Due to (from) the related parties. None of the transactions incorporate special terms and conditions, and no guarantees were given or received. Below is the summary of the Due from related parties:

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Items by category	For the period ended 6/30/2019 \$	For the period ended 12/31/2018 \$
Cultivation management fees receivable	3,564,810	2,305,498
Interest receivable	3,621,773	3,267,253
Rental receivables	2,005,856	709,384
Working capital advances to affiliates	2,092,741	640,452
Other due (to) from other related parties	995,193	(55,860)
Total due from related parties	12,280,373	6,866,727

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 compensation of the Company is the Company's executive management team and Board of Directors. Compensation provided to key management is as follows:

	3 months		6 months	
Directors and Senior management compensations	Q2FY 2019	Q2FY2018	Q2FY2019	Q2FY2018
Key management salaries and benefits	810,348	172,809	1,270,119	341,339
Directors fees	108,113	-	158,667	-
Total payroll and benefits	918,461	172,809	1,428,786	341,339
Share based compensation	7,907,766	4,383,709	7,907,766	4,383,709
Total compensation	\$8,826,226	\$130,885	\$9,336,552	\$4,725,048

GOING CONCERN

As at June 30, 2019, the Company has current assets of \$40,653,109 to discharge current liabilities of \$36,029,390. This working capital has a positive balance of \$24,623,719. As at June 30, 2019, the senior lender has modified its loan facilities from callable loans to a three-year term loan with maturity date on April 23, 2021. Principal repayments commence in July 2010. As at June 30, 2019, the financial statements do not reflect any adjustments to carrying value of the assets, liabilities, reported expenses, and financial statement classifications that would be necessary should the going concern assumption not be appropriate. The Company maintains a positive and strong relationship with its lender.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Securities Issued	June 30, 2019
Common shares	76,651,771
RSUs	5,863,835
Warrants	2,737,421
Options	2,482,035
Fully Diluted	87,735,062

See the Company's financial statements for a detailed description of these securities.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

g). Use of Estimates and Judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The significant areas of estimation and/or judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

- Biological assets
- Revenue recognition;
- Fair value of certain financial instruments
- Property, plant and equipment
- Intangible assets
- Goodwill
- Going concern
- Share-based compensation
- Deferred income tax assets and liabilities

Significant estimates:

(a) Management makes judgments in the valuation of the consideration transferred, including determining the value of any contingent consideration. The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired and liabilities assumed and the valuation thereof is judgmental. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill. Goodwill is initially recognized at cost and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

(b) Inputs in determining the fair value of warrants and rights, such as the volatility and estimated life of the instrument.

(c) The profit or loss charge or credit for a period representing the movement in cumulative expense recognized as at the beginning and end of the period and the corresponding amount represented in contributing surplus.

Significant judgments:

(a) Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets and the agricultural product requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to

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the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

(b) The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work-in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

(c) Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined IFRS 3, the components of a business must include inputs, processes and outputs.

(d) Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

(e) Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

(f) The calculation of deferred taxes is based on assumptions which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude of non-capital losses available for carry forward and of the balances in various tax pools. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements from changes in such estimates in future period could be material. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

(g) At end of each reporting period, management exercises judgment in assessing whether there is a going concern issue by reviewing the Company's performance, resources and future obligations.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39, which introduces a new concept for classification and measurement of financial assets as well as a new impairment model.

Summary of the new requirements

The classification of debt financial assets in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The assessment of the contractual cash flow characteristics addresses the contractual cash flows of a financial asset to test whether they consist of solely payments of both principal and interest on the principal outstanding, often referred to as "SPPI test".

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Based on the business model and the SPPI assessment results, debt financial assets are measured at:

- Amortized cost,
- Fair value through other comprehensive income or
- Fair value through profit or loss.

In order to be measured at amortized cost, a debt financial instrument has to:

- a) be held in a hold to collect business model; and
- b) pass the SPPI test.

In order to be measured at fair value through other comprehensive income, a financial asset has to:

- a) be held in a hold to collect and sell business model; and
- b) pass the SPPI test.

In all other situations, including when an entity chooses to irrevocably designate to eliminate an accounting mismatch, a debt financial asset is measured at fair value through profit or loss.

Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The treatment of embedded derivatives under the new standard is consistent with IAS 39 but it only applies to financial liabilities and non-derivative host contracts not within the scope of the standard.

All debt financial assets measured at either amortized cost or fair value through other comprehensive income fall under the new expected credit loss model introduced by IFRS 9.

The standard is effective for annual periods beginning on January 1, 2018, and the Company has adopted IFRS 9 on January 1, 2018.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. To date, the Company has not yet recognized any revenue and therefore the adoption of IFRS 15 did not require any adjustments to the annual consolidated financial statements.

NEW STANDARDS, INTERPRETATIONS & AMENDMENTS NOT YET ADOPTED BY THE COMPANY

IFRS 16 Leases ("IFRS 16")

IFRS 16, issued in January 2016, replaces IAS 17. Leases IFRS 16 results in most leases being reported on the statement of financial position for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of loss and in the Company's disclosure in respect of future commitments. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease.

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IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has reviewed all leases to determine and document the expected changes associated with the adoption of IFRS 16. Upon adoption of IFRS 16, all existing operating leases with a term greater than 1 year, will be recognized as a leased asset and the associated obligation will be recorded.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

Set out below is a comparison by type of the carrying amounts and fair values of the Company's recognized financial instruments that are recorded in the statements of financial position at March 31, 2019:

The fair values of the financial assets and liabilities are shown at the amount which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption that the instrument fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

Financial instruments are recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (t

Limited Operating History

We have a very limited history of operations and are considered a start-up company. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on shareholders' investment and the likelihood of our success must be considered in light of our early stage of operations. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations. The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future 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. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur

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significant losses in the future for a number of reasons, including the other risks described in this prospectus, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our Common Shares may significantly decrease. The medical cannabis industry and market are relatively new in Canada and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market.

As a licensed producer, the Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

There are factors which may prevent the Company from the realization of growth targets.

The Company is currently in early development stage. The Company's growth strategy contemplates a buildout to multiple facilities at the same time. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms, or physical attacks.

Construction Risk Factors

The Company is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of the Brampton Facility. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of the Dunnville and Winnipeg Facilities as planned. There can be no assurance that current or future construction plans implemented by the Company will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

The Company is reliant on cultivation Licenses to produce cannabis products in Canada

The Company's ability to grow, store and sell cannabis in Canada is dependent on obtaining a License. A License is subject to ongoing compliance, reporting requirements and renewal. Although the Company believes it will meet the

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requirements of Health Canada to obtain a Licenses, there can be no guarantee that Health Canada will grant a License. Should the Company fail to comply with the requirements of a license or should Health Canada not grant a License when required, or renew a License on different terms or revoke a License, there would be a material adverse effect on the Company's business, financial condition and results of operations.

Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause material adverse effects business, financial condition and results of operations of the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed

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or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental 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 due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, despite Canadian federal and state-level legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

If the Company is unable to develop and market new products, it may not be able to keep pace with market developments.

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Company may also be required to obtain additional regulatory approvals from Health Canada and other applicable authorities which may take significant time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute our business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

There is no assurance that the Company will retain any relevant Licenses nor obtain new licenses or approvals that may be required for the Company's business and future plans.

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The Company's ability to grow, store and sell cannabis is dependent on the ability of the Company to obtain Licenses where principal owner or license holders to retain licenses where managed services from the respective licensing authorities. Licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company. There is also no assurance of new licences or approvals from the respective licensing authorities in Canada or the state level.

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 governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the Company's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of Options under the New Option Plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt,

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which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

If you purchase shares of our Common Shares in an offering, you will experience substantial and immediate dilution, because the price that you pay will be substantially greater than the net tangible book value per share of the Common Shares that you acquire. This dilution is due in large part to the fact that our earlier investors will have paid substantially less than a public offering price when they purchased their shares of our capital stock.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.

The Company believes that it currently has insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

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

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks.

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its Licenses or the prospect of renewing its Licenses.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

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 labeling 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

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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 one of the Company significant brands were subject to recall, the image of that brand and 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 Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts.

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

Under Canadian regulations, a Licensed Producer of cannabis may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance.

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

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

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The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to breaches of security at its facilities.

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it

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increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Negative Operating Cash Flow

Our business has incurred losses since the inception. Although we expect to become profitable, there is no guarantee that will happen, and we may never become profitable. We currently have a negative operating cash flow and may continue to have that for the foreseeable future. To date, we have not generated any revenues and a large portion of our expenses are fixed, including expenses related to facilities, equipment, contractual commitments and personnel. As a result, we expect our net losses from operations to improve. Our ability to generate additional revenues and potential to become profitable will depend largely on our ability to manufacture and market our products. There can be no assurance that any such events will occur or that we will ever become profitable. Even if we do achieve profitability, we cannot predict the level of such profitability. If we sustain losses over an extended period of time, we may be unable to continue our business.

Product Recalls

In the event that there is a product recall, the Company could incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. In addition, 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. Although, the Company has detailed procedures in place for testing finished 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 did experience a recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to the 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 Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

As a manufacturer and distributor of products designed to be ingested 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 significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our 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. As of the current date, the Company has a small amount of insurance coverage for product liabilities.

If we have a material weakness in our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities.

One or more material weaknesses in our internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, our internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure or difficulty in implementing required new or improved controls, our business and results of operations could be harmed, we may not be able to provide reasonable assurance as to our financial results or meet our reporting obligations and there could be a material adverse effect on the price of our securities.

Vulnerability to Rising Energy Costs

The company's medical marijuana growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Publicity or Consumer Perception

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

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana 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 products and the business, results of operations, financial condition and the Company's cash flows. 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 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 medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Difficulties with Forecasts

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

The Company is subject to uncertainty regarding legal and regulatory status and changes.

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its

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products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required 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 regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR") is the responsibility of management. The DCP and ICFR have been designed by management based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance that the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS.

Regardless of how well the DCP and ICFR are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any.

Based on the COSO control framework, the CEO and CFO concluded that the design and operation of DCP and ICFR as at June 30, 2019 were effective and provides reasonable assurance that material information relating to the Company is made known to them, information required to be disclosed by the Company is reported within the required time periods as specified in such legislation, and that the Company's financial reporting is reliable and its financial statements have been prepared in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. There have been no changes to the Company's internal control over financial reporting during the three months ended at March 31, 2019 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

SUBSEQUENT EVENTS

a. Cheyenne Sale Leaseback

On July 17, 2019, the Company entered into a definitive agreement with Innovative Industrial Properties REIT ("IIPR") for the sale and leaseback of the Cheyenne property for a total consideration of US\$ 9.6 million. In connection with this transaction IIPR provided MJardin with approximately US\$5.8 million in funding for tenant inducements at the property.

b. Cheyenne License Transfer

On July 23, 2019, the Company received approval from the state of Nevada for the transfer of GreenMart of Nevada LLC's cultivation licenses for both medical and recreational cannabis in Nevada. As a result, MJardin fully-controls the Cheyenne facility in Las Vegas.