DionyMed Holdings Inc. (currently operating as DionyMed Brands Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the Three Months and Nine Months Ended November 30, 2018

Date: January 31, 2019

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and results of operations of DionyMed Holdings Inc. (currently operating as DionyMed Brands Inc.) ("**DionyMed Brands**" or the "**Company**") for the period from March 1, 2018 to November 30, 2018. This MD&A should be read in conjunction with the Company's unaudited financial statements for the period from March 1, 2018 to November 30, 2018 (the "**Financial Statements**"), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

Unless otherwise indicated, all financial information in this MD&A is reported in United States dollars ("$" or "US$"), except share amounts. This MD&A was prepared with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” within the meaning of applicable Canadian securities laws, concerning the business, operations and financial performance and condition of the Company. Forward-looking information includes but is not limited to statements relating to:

- the Company’s expectations regarding legislation, regulations and licensing related to the cannabis market and products;
- the expected number of users of medical cannabis or the size of the medical cannabis market in the U.S.;
- the expected number of users of adult-use cannabis or the size of the adult-use cannabis market in the U.S.;
- the potential size of the regulated medical and adult-use cannabis market in the U.S. and internationally;
- the ability to enter and participate in international market opportunities;
- the Company’s expectations with respect to the Company’s future financial and operating performance, including with respect to increases in consulting and professional fees and the anticipated cash profitability of the business;
- the Company’s expectations with respect to future performance, results and terms of strategic initiatives, and strategic agreements;
- future corporate development, including the items set out in the “Outlook” section;
- Combined with the rest of its existing business and Hometown Heart’s results for the entire month of December, the Company generated record revenue of $6 million during the month of December resulting in a current run rate revenue of $72 million annually;
- expectations with respect to future expenditures and capital activities; and
- statements about expected use of proceeds from fundraising activities.

Generally, this forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, or results “may”, “could”, “would”, “might”, or “will” be “taken”, “occur” or “be achieved”. Forward-looking information is based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made; including, but not limited to: the ability to complete the transaction with Pioneer Valley Extracts, LLC on favourable terms or at all, the ability to leverage the strategic partnership with Acres Cannabis in order to access the Nevada market, the ability to get future commitments under the credit facility, the market for home delivery maintaining the same level of growth in California, the Company being able to obtain profits from Hometown Heart under the Management Services Agreement, the revenue from Hometown Heart continuing on its current trajectory, Hometown Heart maintaining its market share in the cannabis industry in California, and the Company maintaining its market share in the cannabis industry in which it operates. Forward-looking information involves known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled “Risks Factors” herein and in the Listing Statement filed on the Company’s profile on SEDAR, the inability to complete the transaction with Pioneer Valley Extracts, LLC on favourable terms or at all, the inability to leverage the strategic partnership with Acres Cannabis in order to access the Nevada market, the inability to get future commitments under the credit facility, material changes in the market for home delivery in California, the Company not being able to obtain profits from Hometown Heart under the Management Services Agreement, the revenue from Hometown Heart deviating materially from its current trajectory, Hometown Heart losing significant market share in the cannabis industry in California, and the Company losing significant market share in the cannabis industry in which it operates. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking information. Forward-looking information contained herein is given as at the date of the MD&A. The Company does not undertake to update any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

CAUTIONARY NOTE REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures that are not recognized measures and do not have any standardized meaning under IFRS. This data may not be comparable to data presented by other entities. For a reconciliation of these measures to the most directly comparable financial information presented in the Financial Statements prepared in accordance with IFRS, see "Non-IFRS Financial Performance Measures" in this MD&A.

The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year over year comparisons. However, these non-IFRS financial measures should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS.

GENERAL

Overview

DionyMed Holdings Inc. ("DionyMed Holdings") was incorporated on January 11, 2018 under the Ontario Business Corporations Act.

On November 28, 2018, DionyMed Holdings Inc. closed its qualifying transaction (the "Transaction") with Sixonine Ventures Corp, a public company trading on the TSX Venture Exchange.

In connection with the Transaction, Sixonine Ventures Corp changed its name to "DionyMed Brands Inc." ("DionyMed Brands" or the "Company") and consolidated its common shares on an 8.43295184 to 1 basis. Following these changes, DionyMed Holdings amalgamated with 1180820 B.C. LTD, a wholly-owned subsidiary of DionyMed Brands formed solely for the purpose of facilitating the Transaction. Pursuant to the amalgamation, the shareholders of DionyMed Holdings received one common share, series A share, and series F share of DionyMed Brands for each common share, series A share and series F share of DionyMed Holdings registered in the names of such shareholders. Holders of DionyMed Holdings' options and warrants (including all holders of Units) outstanding at the time of closing of the Transaction also received equivalent instruments of DionyMed Brands' exercisable for or convertible into DionyMed Brands' common shares.

Following closing of the Transaction, DionyMed Brands had 12,932,388 common shares, 31,353 series A shares, and 6,598 series F shares issued and outstanding. The series A and series F shares are compressed. The 31,353 series A shares can be converted into 100 common shares per series A share, equating to 3,135,300 common share equivalents. The series F shares can be converted into 5,000 common shares per series F share, equating to 32,990,000 common share equivalents. Therefore, as of November 30, 2018 there were 49,057,688 common share equivalents issued and outstanding.

In addition, an aggregate 19,159,030 common shares of the Company were reserved for options, warrants and broker warrants outstanding. Effective upon the closing of the Transaction, as a result of the reverse takeover of the Company by the shareholders of DionyMed Holdings and to align the financial years of DionyMed Holdings to that of the Company, the financial year of DionyMed Holdings has been changed from February 28 of each year to December 31 of each year.

Upon issuance of the final exchange bulletin of the CSE Exchange providing final acceptance of the Transaction on November 28, 2018, the Company ceased to be trading on the TSX Venture Exchange and commenced trading on the CSE Exchange on November 28, 2018 under the symbol "DYME".

The Company's registered office is located at 40 King Street West, Suite #2100, Toronto, ON M5H 3C2.

DionyMed Brands and its subsidiaries ("DionyMed Group" or "DionyMed") operate a multi-state, vertically integrated platform that designs, develops, markets and sells a portfolio of branded cannabis products. The DionyMed Group also provides distribution, logistics and value-added manufacturing services on behalf of cannabis cultivators, distributors, processors and retailers. DionyMed Group's operations are currently located in California and Oregon.

As used herein, "DionyMed Group," "we," "our," and similar terms include DionyMed Brands and its subsidiaries, unless the context indicates otherwise.

Recent Developments

Business Combination with Companies under Common Control

On February 28, 2018, the Company completed the acquisition of all issued and outstanding equity interests of entities under common control (see note 4 of the consolidated financial statements for significant judgement on business combinations and note 5 of the consolidated financial statements for discussion of acquisitions and analysis of the Company's interest in DionyMed and Herban), DionyMed, Inc ("DionyMed") and Herban Industries, Inc and its subsidiaries ("Herban") through a share exchange and contribution arrangement (the "transaction"), under which, the Company was determined to be the acquiring entity.

Acquisition of Assets from Rise Brands, Inc.

On June 14, 2018, DionyMed Group acquired certain assets from Rise Brands, Inc. dba Rise Logistics ("Rise") to contribute to the growth of the Company's logistics management and technological infrastructure for distributing cannabis products. The transaction was completed for a total purchase price of $8,000,000 and a $4,000,000 earn-out, which will be paid subject to Rise Logistics achieving certain performance metrics.

Series B Convertible Debentures

On August 28, 2018, the Company closed the non-brokered private placement by issuing 1,680 Common Share Convertible Debentures and 3,930 Series A Convertible Debentures at a price of CAD$1,000 per Convertible Debenture for gross proceeds of CAD$18,180,000 (US$13,925,699).

Acquisition of Assets from JDK Holdings, LLC (Winberry)

On August 31, 2018, DionyMed Group acquired certain assets from JDK Holdings, LLC dba Winberry Farms ("Winberry" or "Winberry Farms"), a concentrate and vape cartridge brand that holds licenses in the State of Oregon for the cultivation, distribution and manufacturing of medicinal and adult-use cannabis. The transaction was completed for a total purchase price of $7,500,000 and a $4,000,000 earn-out, which will be paid subject to Winberry Farms achieving certain performance metrics.

Investment in Hometown Heart

On October 1, 2018, DionyMed Group invested $2,000,000 in unsecured convertible notes of Hometown Heart, a California corporation that engages in the business of direct-to-consumer cannabis sales and delivery, that includes the right, but not the obligation, to purchase the outstanding shares of Hometown Heart for $6,000,0000 and a $12,000,000 earn-out, which will be paid subject to Hometown Heart achieving certain performance metrics.

Term Loans

On September 24, 2018, the Company entered into a term loan agreement with certain lenders in the aggregate principal amount of $4,000,000 (the "Term Loan"). The Term Loan matures on the first to occur of: (i) an event of default which has not been cured or waived, (ii) thirty (30) business days after the Company is publicly listed and tradable on a recognized securities exchange and (iii) September 24, 2019, when the principal amount of the Term Loan, the unpaid interest thereon, and all other obligations relating to the Term Loan and the loan documents shall be immediately due and payable.

The Term Loan includes a repayment premium equal to $2,000,000 payable in the Company's Common Shares with the number of Common Shares calculated as $2,000,000 divided by the price per share at the listing event.

Inventory Finance Facility

On November 12, 2018, the Company entered into a mandate letter (the "Mandate Letter") with a lender to arrange a hybrid asset-based loan facility (the "Inventory Finance Facility") of up to US$40,000,000 to provide working capital funding for the Company, including a US$3,000,000 early draw facility (the "Early Draw Facility"). On closing of the transaction, the Mandate Letter and the Early Draw Facility became binding on the Company.

The Early Draw Facility is secured by a general security agreement over the assets of DionyMed in favor of certain credit funds managed by the Arranger, bears interest at a rate of 10.4% per annum and matures on February 12, 2020. Under the Early Draw Facility, DionyMed made one drawdown under the Inventory Finance Facility on November 13, 2018 for gross proceeds of US$3,000,000. The transaction fees of $852,650 are withheld from the gross proceeds for various fees including mandate fee, due diligence fee and legal fee resulting in net proceeds of $2,147,350. Neither the Company nor its subsidiaries may dispose of any asset, incur any indebtedness or create or permit any security over its assets other than as permitted by the Early Draw Facility.

On November 28, 2018, as part of the consideration to the lenders, the Company issued 27,795 common shares at CAD$4.25 and 744,000 warrants with an exercise price of CAD$5.31 expiring three years from the date of issue.

Business Combination with Sixonine Ventures Corp

On November 28, 2018, DionyMed Brands was formed in a Reverse Take-Over transaction in which the former DionyMed Holdings, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the former Sixonine Ventures Corp., a public company formerly trading on the TSX Venture Exchange. The combined entity was renamed DionyMed Brands Inc. Consideration in the amount of $2,618,584 in the Company's Common Shares and $614,173 in the Company's Warrants were issued in respect of this transaction.

Following this transaction, DionyMed Brands became listed on the Canadian Securities Exchange on November 28, 2018 (the "Listing Event") as described in the Listing Statement dated November 27, 2018, a copy of which is available on DionyMed Brands' profile on SEDAR at www.sedar.com. The Listing Event generated gross proceeds of CAD$34,490,000, the transaction fees for which were CAD$4,473,374, resulting in net proceeds of CAD$30,016,638.

Strategic Framework

The Company's mission is to build safe, trusted cannabis brands for medical and recreational consumers worldwide.

The Company plans to build and sustain recognizable cannabis brands that play a positive role in society. In each market, the Company serves its primary customer sets, consisting of consumers, cultivators, manufacturers, and dispensaries.

We seek to make access to cannabis safe, convenient and easy for both recreational and medical use customers. We deliver products directly through our own e-commerce sites and partner sites, as well as through dispensary retail partners. In addition, we support other brands and retailers by providing distribution, logistics, manufacturing and technology services. We strive to offer our customers products at price points that meets their needs, ranging from value priced offerings to luxury products, together with fast and reliable fulfilment and timely customer service.

The Company uses state and local operating teams determining how to best apply our guiding strategic principles. This model provides greater ability to meet the diverse needs of our consumers and customers, while allowing for the speed of execution required in the dynamic cannabis market.

The Company aims to drive the sharing of best practices and enhance efficiency. Our standards for governance, compliance and ethics are set company-wide.

As a vertically-integrated provider and with a focus on data and technology, we can identify and act on consumer trends to support growth. Local market expertise is used to identify and deliver against the most valuable growth opportunities.

We use consumer insights and marketing to drive product development and innovation at scale and develop relationships with our customers through distribution and sales. Our supply capabilities enable us to manufacture and distribute our brands efficiently and effectively.

The Company's standards for governance, compliance and ethics are set company-wide. We intend to use business as a force for good, a catalyst for innovation and to support the communities we serve. The Company intends to weigh business decisions with consideration for how its efforts affect its employees, customers, the environment, and the communities where its employees live and where it does business, while strengthening its brands.

We intend to focus on supporting communities and non-profits that can utilize the wellness aspects of our products (i.e. military veterans, medical foundations, university research, etc.). We believe this will ultimately have a positive impact on our customers, employees and shareholders.

DESCRIPTION OF THE BUSINESS

Sources of Revenue

The Company, through its subsidiaries, operates a distribution, manufacturing services and online retail platform for cannabis cultivators, distributors and processors with current operations in California and Oregon. The Company generates returns from the revenue sources below:

- the sale of wholly-owned branded products online and through retail dispensaries;
- manufacturing and processing branded cannabis products for delivery direct-to-consumers and to retail dispensaries; and
- wholesale distribution and logistics management on behalf of cultivators, manufacturers and third-party brands.

Branded Product Sales

The Company designs, develops and markets branded products that are sold both online and in-store at brick and mortar dispensary retailers. We continue to expand the range of offerings in all significant and emerging product categories, including flower, pre-rolls, vape pens, concentrates, and edibles. Our products vary in price points, targeting specific customer segments with their brand messaging and position and with a deliberate bias to serving new cannabis consumers. The range of products is designed to be a specific consumer segment focused with perceived value for the price point.

Wholesale Distribution and Third-Party Logistics

In addition to the Company's wholly-owned brands, the Company provides distribution, fulfillment, warehousing and inventory management services for third-party brands. Some of these products may be sold by the Company's sales team, while others may be sold by the third party brands' sales team. Distribution and logistics services may involve warehousing, facilitation of product testing, tax-collection and/or compliant transport, depending on a market's regulatory requirements.

Providing distribution services to third-party brands allows us to provide cost-effective sales and delivery services for the third-party brand's products, gain retail shelf-space, and collect data about the market, sales, and product trends.

Value-Added Manufacturing Services

The Company provides co-packing, filling, supply chain and sourcing on behalf of cultivators, manufacturers and brands. The co-packing services include manicuring, packaging and labeling dry bulk-flower from cultivators, as well as filling and packaging vape cartridges and other concentrates. We expect to expand this service line to include extraction and additional finished goods production capabilities.

Direct-to-Consumer Retail and Delivery Fulfillment

In August 2018, in partnership with Hometown Heart, the Company launched a direct-to-consumer e-commerce storefront for same-day delivery in the San Francisco Bay Area. The e-commerce storefront includes both DionyMed products and well-established third-party brands. DHI provides the software and technology on behalf of Hometown Heart through a services agreement and Hometown Heart is the retailer-of-record, providing the delivery fulfillment service.

Sales, Marketing and Promotion

Data collection and customer analysis from direct-to-consumer sales will be a large component of the Company's marketing strategy. Direct-to-consumer sales give an opportunity to gain insight into how to better support the customer based on data including buying habits and purchase frequency.

Consumer segmentation is being used to transform the Company's consumer activities during 2019 through both valuable understanding of its customer base, as well as the ability to activate and invest in core consumer segments that will assist in developing a value proposition for customers.

Key elements of the segmentation efforts include:

- Driving ability to more effectively motivate trial orders, improve overall product trial experience, promote repeat purchasing patterns and ensure retention through targeted messaging;
- Differentially investing in core segments to attract new users at attractive conversion rates; and
- Maximizing customization of email and other messaging channels to improve initial experiences and promote repeat buying.

The Company is working with an advertising agency to solidify brand identity, packaging design, communications, and continuously improve on both aesthetic and overall functionality of its direct-to-consumer e-commerce experience.

Research and Development

Due to the research and development vacuum created by the current political climate and federal restrictions on cannabis in the United States, product development in the past had often occurred without the benefit of traditional scientific research and evidence-based results. Product development has largely been driven by immediate market demands.

There is an opportunity for professional and scientifically rational cannabis product development. The Company intends to develop intellectual property in the areas of cannabis-related novel small molecule compounds, formulation development, and in materials and methods.

The Company will continue to invest in R&D efforts to identify new product opportunities.

Cultivation, Production and Supply Chain

The Company has established an international supply chain to source cost-effective packaging, hardware and equipment, as well as establishing local supply chains for cannabis biomass and distillate. We use a mix of in-house cultivation and production together with contract growers and manufacturers to support our production needs. We require cultivation and manufacturing specifications be followed and have quality control procedures to ensure product safety, consistency and quality.

The Company operates a limited cultivation site in Oregon used for whole-plant extraction into distillate oil for the Winberry Farms brand. Management believes that in the California and Oregon markets the supply in quality cannabis will continue to increase due to favorable outdoor and greenhouse growing conditions, creating downward pressure on prices. We believe this trend is evidenced in mature markets like Oregon, which have seen significant price declines in 2018 due to oversupply.

The Company plans to scale its production capacity. Management plans to invest in expanded production capacity to address new product opportunities, take control of the supply chain and proactively define the competitive landscape. We may expand our cultivation activities in future markets or markets that require vertical integration.

We are developing products internally with a scalable methodology that focuses on controlling its supply chain and lowering its cost of manufacturing.

Inventory Management

The Company has comprehensive inventory management procedures, which are compliant with the rules set forth by the California Department of Consumer Affairs' Bureau of Cannabis Control ("**BCC**"), the Oregon Liquor Control Commission (**"OLCC"**) and all other applicable state and local laws, regulations, ordinances, and other requirements.

These procedures ensure control over the Company's cannabis and cannabis product inventory from delivery by a licensed distributor to sale or delivery to a consumer, or disposal as cannabis waste. The Company understands its responsibility to the greater community and the environment and is committed to providing consumers with a safe, consistent, and high-quality supply of cannabis.

Facilities and Security

The Company has comprehensive security policies and procedures for its operations, which address measures to prevent unauthorized entrance into areas containing cannabis and cannabis products to deter theft, or loss, of cannabis and cannabis products. The Company's security policies and procedures are compliant with the rules set forth by the regulatory agencies responsible for enforcing the regulations of the states in which it operates. Onsite security managers ensure all employees follow policies and procedures regarding the security of the Company's facilities. The security manager, in coordination with the human resources manager, implements and maintains employee training policies and procedures for security training. All employees aid in maintaining the security of the facility through prevention, awareness, reporting, and responsible incident management. All employees are required to immediately report security breaches and incidents of non-compliance to their supervisor. The security manager meets periodically with state and local law enforcement to discuss alarm response, criminal activity statistics, patrol frequency, and other pertinent matters.

The Company's security measures ensure that the Company's facilities are adequately secured against internal and external threats. Facilities are equipped with physical and technological features that minimize the risk of diversion, loss, or theft of cannabis and cannabis products. The Company implements security measures designed to prevent unauthorized entrance into areas containing cannabis or cannabis products and theft of cannabis or cannabis products from the premises. These security measures include, but are not limited to, all the following:

- Prohibiting individuals from remaining on the licensed premises if they are not engaging in activity expressly related to the distribution operations.
- Establishing limited access areas.

- Implementing procedures to ensure limited access areas are accessible only to authorized personnel.
- Limiting employee access to sensitive spaces within the facility, such as areas containing surveillance recordings and large amounts of cannabis goods.
- Facilities are designed to maximize security and minimize risks. Facility access points include safety and security mechanisms to prevent unauthorized entry.

The Company contracts with an outside security consultant to conduct annual audits, facility inspections, and procedure review to ensure regulatory compliance and best practice policies are in place.

The Company recognizes that cyberattacks, network breaches, and malware can create serious problems for current operations as well as affect business relationships and future operations. The Company deploys best practices for data and cybersecurity utilized by businesses working with government contracts and technology sector leaders, including the following security requirements:

1. Access Control
2. Awareness and Training
3. Audit and Accountability
4. Configuration Management
5. Identification and Authentication
6. Incident Response
7. Information System Maintenance
8. Media Protection
9. Personnel Security
10. Physical Protection of Data Systems
11. Risk Assessment
12. Security Assessment
13. System and Communications Protection
14. System and Information Integrity

Systems and Technology

The Company's systems architecture was designed for scalability and increasing distribution efficacy. Logistics and distribution management software continues to grow in importance in the cannabis environment. Organizations are challenged to develop their applications in compliance with cannabis rules, as well as state and local laws and regulations.

The Company pairs a cloud-based enterprise resource planning ("**ERP**") system for manufacturing, shipping and receiving, inventory control, supply chain management, sales, accounting and finance with proprietary application programming interfaces ("**API**"). These systems reduce unnecessary communication and the steep learning curves found in monolithic ERP systems. Supplemental peripheral software applications are used for specialized activities in finance, human resources, customer support, manufacturing, distribution and marketing.

We recognize that custom applications need to evolve as rapidly as cannabis regulations and support custom regulatory implementations to support hyper-growth across multiple locales. Proprietary microservice APIs were designed to provide this flexibility and extendibility. Custom API connectors sync ERP, warehouse management systems, transportation management systems, customer support, accounting, and track-and-trace systems. These connectors dramatically improve accuracy and compliance tracking while reducing double-entry, human error, and friction to market.

The Company is collecting data from its brand marketing, direct-to-consumer channel and distribution/logistics activity to drive the insights to power our brand development and customer acquisition efforts.

Databases are routinely tested for extrapolating insights, feeding artificial intelligence and producing demand-based analytics. The Company considers technology and related data science to be one of our core competencies.

Regulatory Compliance

DionyMed Group places a high priority on regulatory compliance. Compliance procedures are interwoven into all phases of company operations to include revenue, employee on-boarding, training, and auditing.

All employees are required to participate in periodic compliance training reviews to maintain current knowledge of the regulations they must follow. In addition, time is allotted for employee training during the company all hands meetings, and employees are trained in regulations that pertain to the operating regulations within the state they operate. After the training, a review period occurs where employees may familiarize themselves with the regulations covered in the training. As a means of emphasizing the importance of compliance employees, each is then required to sit for a short exam that requires them to cite the relevant regulation in their answers. The resultant score is used to determine which employees if any, need remedial education on the subject matter.

Additional training highlights the importance of proper conduct and the regulatory knowledge expected of every employee. Compliance, personal integrity and personal responsibility are stressed as a means of measuring each individual's performance.

Intellectual Property

The Company's intellectual property and proprietary rights are important to its business. Efforts to secure intellectual property protection are complicated by conflicting international, federal and state regulations. Protection of intellectual property is necessary for securing a sustainable competitive advantage and we rely on a combination of trademarks, copyrights, trade secret laws, secrecy and confidentiality agreements to do so.

Licensing

In addition to the State of California and Oregon listed above, the Company conducts pre-licensing activities in other markets including Oregon, Massachusetts, New Jersey, Nevada, and Illinois. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses.

Competition Conditions and Positions

The primary markets in which the Company currently operates (California and Oregon) have fewer barriers to entry than states (such as New Jersey, Florida and Ohio) that limit the number of licenses issued and more closely reflect free market dynamics typically seen in mature retail and manufacturing industries. The growth of these markets poses a risk of increased competition, but are currently characterized by numerous sub-scale operators and a few well-capitalized competitors.

Today, our wholly-owned branded products compete with Select, Absolute Extracts, Guild Extracts, Moxie, and Kiva Confections, among others. According to sales data from BDS Analytics as of September 2018, no company has a market share of more than 5% in any product category (including flower, concentrates, vape pens or edibles).

Our wholesale logistics and distribution business compete with RVR (a subsidiary of CannaRoyalty) and BlackBird Logistics, along with brands that self-distribute. We believe that as the number of retail dispensaries grows, the industry will consolidate around a few at-scale distribution companies. Our value-added manufacturing business competes with Moxie and The Werc Shop, as well as other contract manufacturers. Our direct-to-consumer retail and fulfillment business competes with both legal and illegal brick-and-mortar dispensaries like MedMen, as well as other online delivery services, such as Eaze and Bud.com.

Aside from the direct competition listed above, out-of-state operators that are well-enough capitalized may to enter these markets through acquisitive growth are also considered part of the competitive landscape. Similarly, as the Company executes its national U.S. growth strategy, operators in our future state markets will inevitably become direct competitors.

Given all the above, the Company may face competition from other companies that are better capitalized, have greater access to public equity markets or are more mature businesses; however, the vast majority of competitors consist of localized businesses.

FINANCIAL INFORMATION

Selected Annual Financial Information

The following is selected financial data derived from the unaudited consolidated financial statements of the Company as of November 30, 2018.

	For the three months ended November 30, 2018	For the nine months ended November 30, 2018
Total Revenues, net of discounts	6,950,344	10,026,789

Cost of Goods Sold	5,786,647	8,958,004
Gross Profit	1,163,697	1,068,785
Total Expenses	22,505,349	33,262,419
Operating (Loss)	(21,341,652)	(32,193,634)
Total Assets	78,550,965	78,550,965
Long-Term Liabilities	23,874,812	23,874,812

Results of Operations

For the three months and nine months ended November 30, 2018, below is a summary of the breakdown for the revenues.

	For the three months ended November 30, 2018		**For the nine months ended November 30, 2018**	
Revenue Stream	**Revenue**	**Gross Margin %**	**Revenue**	**Gross Margin %**
Distribution and Logistics	3,437,881	13.3%	3,928,519	24.1%
Product Sales	3,512,463	20.1%	6,098,270	5.6%
Total	**6,950,344**	**16.7%**	**10,026,789**	**12.8%**

Distribution and logistics revenues for the three months and nine months ended November 30, 2018 arise primarily from handling, distributing and selling inventory on behalf of third party vendors.

Product sales revenue is generated from wholly-owned brands.

Gross profit was $1,163,697 and $1,068,785 or 16.7% and 12.8% of gross revenue for the three months and nine months ended November 30, 2018, respectively.

Operating expenses were $22,505,349 and $33,262,419 for the three months and nine months ended November 30, 2018, respectively. The operating expenses consisted primarily of accretion on financing obtained ($8,367,484), wages and salaries ($8,367,484), general administrative and other expenses ($4,835,862), legal and professional fees ($3,428,941), and costs incurred to become publicly listed on the Canadian Securities Exchange ($3,232,757).

Adjusted EBITDA

$ in USD	**For three months ended November 30, 2018**	**For nine months ended November 30, 2018**
Net income (loss) as stated	($21,341,652)	($32,193,634)
Add Back		
Foreign Exchange (gain)	(256,111)	(346,988)
Amortization and Depreciation	1,003,225	1,356,369
Accretion Expenses	8,367,484	8,367,484
Listing Expenses	3,232,757	3,232,757
Royalties	172,307	444,718
Interest Expenses	2,658,423	2,868,371
Financing Cost	866,112	1,349,456
Share-Based Compensation	214,757	503,607
Adjusted EBITDA	**($5,082,698)**	**($14,417,860)**

Adjusted EBITDA loss was $5,082,698 and $14,417,860 for the three months and nine months ended November 30, 2018, respectively, with the loss primarily as a result of increasing platform costs to support the Company's growth activities, corporate general and administrative expenses, professional fees, listing expenses, and accretion expenses on convertible debentures. Adjusted EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization, less certain non-cash equity compensation expenses, including impairments, one-time transaction fees and all other non-cash items. The Company considers Adjusted EBITDA an important operational measure for the business.

The net loss was $21,341,652 and $32,193,634 for the three months and nine months ended November 30, 2018, respectively.

As of November 30, 2018, the Company had approximately $28,300,092 in current assets, including $22,495,238 of cash and cash equivalents. As of November 30, 2018, total assets were $78,550,965.

Outlook

The Company continues to enhance its platform through the pursuit of both organic and inorganic growth opportunities. Since March 1, 2018, the company acquired Rise Brands in June 2018, a technology-focused logistics and distribution business in California, and Winberry Farms in September, an award-winning vape cartridge brand, to the platform. As a result of these additions and its own existing business operation, the Company generated revenue of $6.9 million for the quarter ending November 30, 2018.

Subsequent to the end of the quarter, the Company exercised its option to acquire Hometown Heart, a direct to consumer delivery business. Combined with the rest of its existing business and Hometown Heart's results for the entire month of December, the Company generated record revenue of $6 million during the month of December resulting in a current run rate revenue of $72 million annually.

The Company continues to execute its strategy of expanding its platform in a capital efficient manner by acquiring new businesses in its existing markets and opening up new markets via acquisitions and partnerships. In January 2019, the Company announced two transactions to open new markets:

1) The Company closed a strategic partnership agreement with Acres Cannabis, a Nevada based vertically integrated Las Vegas operation, which gives the Company immediate access to produce and sell its brands within the growing and highly attractive Nevada cannabis market.
2) The Company entered into a binding term sheet with Pioneer Valley Extracts, LLC, a manufacturer and an emerging cannabis brand in Massachusetts. The Company expects to close this transaction by March 31, 2019.

The Company continues to look for additional opportunities in key markets such as Colorado, New Jersey and Michigan.

The Company has capitalized itself with a CAD$35 million pre-RTO private placement and has recently added a $40 million credit facility for working capital needs and operation expansion.

Liquidity, Financing Activities, and Capital Resources

As of November 30, 2018, the Company had total current liabilities of $26,064,594 and cash of $22,495,238 to meet its current obligations. As of November 30, 2018, the Company had working capital of $2,235,498.

Issued share capital of DionyMed before the reverse takeover on November 28, 2018

In March 2018, the Company raised additional CAD$1,897,498 (US$1,481,379) through the issuance of 1,768,598 common shares and 1,289 series A preferred shares as part of Series A round of financing.

On March 2, 2018, the Company issued 29,965 Series A Convertible Preferred Shares and 1,110,514 Common Shares for equity conversions relating to the Convertible Preferred Notes (Note 15 of the consolidated financial statements). In addition, the Company issued 99 Series A Convertible Preferred Shares and 3,932 Common Shares in satisfaction of CAD$13,835 (US$10,801) of accrued interest on the Convertible Preferred Notes. In total, the Convertible Preferred Notes are converted into 30,064 Series A Convertible Preferred Shares and 1,114,446 Common Shares.

In April 2018, the Company issued 560,000 common shares at CAD$1 per share to settle part of the working capital loan (Note 10 of the consolidated financial statements).

In October 2018, the Company issued 410,000 common shares at CAD$2.06 per share to Hometown Heart shareholders as part of the consideration for the Hometown Heart Investment (Note 17 of the consolidated financial statements).

Issued share capital of DionyMed after the reverse takeover on November 28, 2018

In connection with the Subscription Receipt Private Placement prior to the completion of the Transaction (Note 1 of the consolidated financial statements), the Company issued 8,115,297 common shares and 8,115,297 warrants with an exercise price of CAD$6.37 expiring two years from the date of issue for gross proceeds of approximately CAD$34,490,000. A transaction fee of CAD$4,473,374 including agents' commissions, fees, and legal expenses was netted against share capital resulting in net proceeds of CAD$30,016,638.

In connection with the Inventory Finance Facility, on November 28, 2018, the Company issued 27,795 common shares at CAD$4.25 and 744,000 warrants with an exercise price of CAD$5.31 expiring three years from the date of issue.

On November 28, 2018, the Company also issued 427,913 warrants with an exercise price of CAD$2.06 expiring two years from the date of issue to the brokers in connection with the Series B Convertible Debentures Financing (Note 15 of the consolidated financial statements) and 493,188 warrants with an exercise price of CAD$4.25 expiring two years from the date of issue to the brokers in connection with the Subscription Receipt Private Placement.

In addition to the private placements described above, the Company intends to generate adequate cash to fund its business operations. However, the Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Initiatives in U.S. markets outside of those already within the Corporation's platform are expected in the near future. Accordingly, the Corporation expects to raise additional capital, both in the form of debt and new equity offerings, during the next fiscal year.

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis industry, for capital expenditures and improvements in existing facilities, product development, and marketing, as well as customer, supplier, investor and industry relations.

Going Concern

The consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue in the normal course of operations is dependent on its ability to raise financing sufficient to maintain operations and there are no assurances that the Company will be successful in achieving this goal. For the nine months period ended November 30, 2018, the Company reported a net loss of $32,193,634 operating cash outflows of $16,951,138 and, as of that date, an accumulated deficit amounting to $32,646,436. These material circumstances cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company continues to have access to equity and debt financing from private and public markets, but there are no guarantees that such financing would be available.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities was $16,951,138 for the nine months ended November 30, 2018 primarily due to increases in operating expenses and change in working capital.

Cash used for working capital for the nine months ended November 30, 2018 is $2,464,981 as a result of the changes in accounts receivable, inventory, other current assets of $5,255,444 netted against the increases in accounts payable and accrued liabilities, other current liabilities and expenses paid by Rise Brands, Inc. of $2,790,463.

Cash Flow from Investing Activities

Net cash used in investing activities was $6,344,179 for the nine months ended November 30, 2018 primarily due to cash used to acquire assets from Rise Brands, to acquire assets from Winberry Farms, to invest in the growth of Hometown Heart in anticipation of the acquisition of its shares, and to purchase fixed assets.

Cash Flow from Financing Activities

Net cash provided from financing activities was $45,657,439 for the nine months ended November 30, 2018 primarily due to cash acquired from pre-RTO subscription receipt financing, term loans, inventory finance facility drawdowns, issuance of series A and series B rounds of private placements, and royalty debt financing described above.

Contractual Obligations

In the normal course of business, the Company is obligated to make future payments under various non-cancellable contracts and other commitments. The payments due by period are set forth in the following table:

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
USD denominated						
Operating leases	$ 860,440	$ 877,217	$ 878,551	$ 850,958	$ 686,976	$ 1,903,752
Royalties and licensing fees	124,500	-	-	-	-	-
Consultants and advisors	120,000	120,000	120,000	-	-	-
Total USD denominated	$ 1,104,940	$ 997,217	$ 998,551	$ 850,958	$ 686,976	$ 1,903,752
CAD denominated						
Operating leases	$ 79,750	$ 7,250	$ -	$ -	$ -	$ -
Royalties and licensing fees	395,830	474,996	79,166	-	-	-
Total CAD denominated	$ 475,580	$ 482,246	$ 79,166	$ -	$ -	$ -

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2028 and contain renewal provisions. The Company's net rent expense for the three- and nine-month periods ended November 30, 2018 was approximately $423,000 and $870,000 respectively.

As part of acquisition of assets from Rise Brands, Inc and Winberry Farms (Note 5 of the consolidated financial statements), the Company is obligated for certain earn-out payments with aggregate maximum value of up to $8,000,000.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts 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. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used.

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available, the Company will engage third party qualified valuers to perform the valuation.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Information about the valuation techniques and inputs used in determining the fair value of financial assets and liabilities are disclosed in Note 20 of the consolidated financial statements.

Business Combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Judgement is also required to assess whether the amounts paid on achievement of milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Business combinations are accounted in accordance with IFRS 3. IFRS provides no guidance on common control transactions and, as such, the Company has elected as an accounting policy to adopt the acquisition method as described in IFRS 3 in connection with the common control transactions.

Changes in or Adoption of Accounting Practices

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. No significant impact on the Company's consolidated financial statements resulted from the adoption of this new standard.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. No significant impact on the Company's consolidated financial statements resulted from the adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. No significant impact on the Company's consolidated financial statements resulted from the adoption of this new standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the leases described in Note 12 of the consolidated financial statements will likely constitute right of use assets with a corresponding lease obligation.

Related Party Transactions

Related party transaction not described elsewhere in the MD&A are included herein.

Consulting Services from Daniel Fields

Daniel Fields, a shareholder of the Company, provided consulting services for the Company. During the nine months period ended November 30, 2018, the Company paid approximately $763,000 to Daniel Fields for expenses and consulting fees, which is included in Legal and Professional Fees on the Consolidated Statement of Operations. As of November 30, 2018, $5,000 remained payable by the Company, which is included in Accounts Payable and Accrued Liabilities on the Consolidated Statement of Financial Position.

Ambassador Technologies Inc Marketing Services

Ambassador Technologies Inc, over which the Company's Chief Executive Officer has significant influence, is a marketing agency company doing business in California as ByProxie. The entity is not consolidated with the Company because the Company is not entitled to its variable returns. Since August 2017, the Company engaged ByProxie to provide marketing services in California. During the nine months period, the Company incurred related expenses of approximately $908,000 included in Sales and Marketing Expenses on the Consolidated Statement of Loss and Comprehensive Loss, which was paid in full at November 30, 2018.

WestField Partners, LLC

WestField Partners, LLC, over which the Company's Chief Executive Officer has control, is a management services company. WestField Partners, LLC is not consolidated with the Company because the Company is not entitled to its variable returns. WestField Partners, LLC entered into a management services agreement with the Company on March 1, 2016. During the nine months period, the Company paid WestField Partners, LLC approximately $106,000 for management services, rent, and outside services reimbursements, which is included in Administrative and Other Expenses on the Consolidated Statement of Operations. As at November 30, 2018, the Company owed approximately $25,000 to the entity, which is included in Accounts Payable and Accrued Liabilities on the Consolidated Statement of Financial Position.

Share Based Compensation

The Company has granted options to employees during the period. Please refer to the Company's Note 11 of the consolidated financial statements for further information on options granted.

Risk Factors

Please refer to the Listing Statement filed with the Canadian Securities Exchange ("CSE") for discussions on risk factors related to the Company.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, short-term note payable, and long-term debt. The carrying values of these financial instruments approximate their fair values on November 30, 2018.

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

Level 1 —Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 —Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 —Inputs for the asset or liability that are not based on observable market data.

Financial Risk Management

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

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure on November 30, 2018 is the carrying amount of cash and cash equivalents.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but has a limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

Currency Risk

As the Company's operations are located in Canada and the United States, the Company is subject to currency transaction and translation risks.

The Company holds cash in Canadian dollars and U.S dollars. The Company raises capital in Canadian capital markets and thus is exposed to fluctuations in the Canadian dollar relative to the U.S dollar, specifically in relation to USD denominated liabilities.

As at November 30, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates, however, management monitors the Canadian and U.S currency markets closely and continuously assesses the need to enter into currency hedging arrangements. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Subsequent Events

Acquisition of Assets from Cascade Distribution, Inc.

On September 27, 2018, the Company through its subsidiary, Herban OR, entered an agreement to acquire certain assets of Cascade Cannabis Distribution, Inc. ("Cascade"). Cascade holds a recreational wholesale license in the State of Oregon for the distribution of adult-use cannabis and provides product processing, packaging and distribution services in Oregon. As at the date of the release for these consolidated financial statements, this transaction is not closed pending approval from the State of Oregon for the transfer of the recreational wholesale license to Herban OR.

The transaction is to be closed for a total purchase price of $150,000, and a $100,000 earn-out, subject to certain performance obligations.

Acquisition of Hometown Heart

On December 5, 2018, DionyMed Group exercised its options to purchase the outstanding shares of Hometown Heart for $6,000,0000 and a $12,000,000 earn-out, which will be paid subject to Hometown Heart achieving certain performance metrics. The Company obtained control of Hometown Heart on December 13, 2018 upon the closing of the transaction. The Company operates Hometown Heart under a Management Services Agreement.

Strategic Partnership with Nevada-Based Retailer Acres Cannabis

On January 10, 2019, the Company signed a strategic partnership agreement with Acres Cannabis ("Acres"), a vertically integrated cannabis retailer based in Las Vegas, Nevada. The partnership grants the Company's brands and services access to the Nevada market. The Company's infused products and edible brands will be manufactured in Acres' facilities and sold statewide under a royalty fee arrangement with Acres.

Inventory Finance Facility

On January 16, 2019, the Company signed a definitive agreement (the "Agreement") for a two-year, up to US$40 million senior secured credit facility from the arranger. The credit facility consists of a US$15 million term loan facility and a US$25 million asset-backed loan facility. The Company will draw US$13 million following the completion of certain conditions to the satisfaction of the investors. Currently, the syndicate of investors have committed to provide US$13 million of the credit facility.

This credit facility will be used for acquisitions, capital expenditures, refinancing existing debt, working capital and general corporate purposes.

Binding Term Sheet to Acquire Pioneer Valley Extracts, LLC

On January 22, 2019, the Company signed a binding term sheet to acquire Pioneer Valley Extracts, LLC, a manufacturer and emerging cannabis brand in Massachusetts.