

CSE FORM 2A LISTING STATEMENT

RED WHITE & BLOOM BRANDS INC.

**WITH RESPECT TO A FUNDAMENTAL CHANGE PURSUANT TO POLICY 8 OF
THE CANADIAN SECURITIES EXCHANGE
INVOLVING THE BUSINESS COMBINATION BETWEEN
TIDAL ROYALTY CORP. (“TIDAL”)
26902298 ONTARIO INC. (“TIDAL SUBCO”)
AND
MICHICANN MEDICAL INC. (“MICHICANN”)
TO FORM
RED WHITE & BLOOM BRANDS INC. (“RWB”)
(the “Resulting Issuer”)**

Neither the Canadian Securities Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Business Combination Agreement described in the Listing Statement.

June 1, 2020

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1. ABOUT THIS LISTING STATEMENT

1.1 General

Unless otherwise indicated:

- (i) except where otherwise indicated, all references to dollar amounts and “\$” are to Canadian currency;
- (ii) any statements in this Listing Statement made by or on behalf of management are made in such persons’ capacities as officers of the Resulting Issuer and not in their personal capacities; and
- (iii) all information in this Listing Statement is stated as at June 1, 2020, unless otherwise indicated.

1.2 Cautionary Statement Regarding Forward-Looking Statements

The information provided in this Listing Statement, including schedules and information incorporated by reference, may contain “forward-looking statements” about Red White & Bloom Brands Inc. (the “**Resulting Issuer**”), MichiCann Medical Inc. (“**MichiCann**”) and Tidal Royalty Corp. (the “**Issuer**”). In addition, the Issuer, MichiCann or the Resulting Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Issuer, MichiCann or the Resulting Issuer that address activities, events or developments that the Issuer, MichiCann or the Resulting Issuer expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then-current expectations of the party making the statement and/or assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the available funds of the Resulting Issuer and the anticipated use of such funds;
- the regulation of the cannabis industry;
- the availability of financing opportunities, legal and regulatory risks inherent in the legal cannabis industry, risks associated with economic conditions, dependence on management and currency risk; and

- other risks described in this Listing Statement and described from time to time in documents filed by the Issuer, MichiCann or the Resulting Issuer with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Issuer, MichiCann and the Resulting Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects to the Issuer, MichiCann and/or the Resulting Issuer.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer, MichiCann or the Resulting Issuer and/or persons acting on its behalf may issue. The Issuer, MichiCann and the Resulting Issuer undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See “3.1 – GENERAL DEVELOPMENT OF BUSINESS – Risk Factors” and “17 –RISKFACTORS”.

1.3 Market and Industry Data

This Listing Statement includes market and industry data relevant to the Resulting Issuer and business that has been obtained from third party sources, including industry publications. The Resulting Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Resulting Issuer has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

1.4 Glossary of Terms

Amalco	means the amalgamation corporation resulting and continuing from the Amalgamation.
Amalgamating Corporations	means Tidal, Tidal Subco and MichiCann.
Amalgamation	means the amalgamation of MichiCann and Subco by way of a “three-cornered amalgamation” with Tidal pursuant to Section 174 of the OBCA.
Amalgamation Agreement	means the agreement among MichiCann, Tidal and Subco in respect of the Amalgamation.
Amalgamation Resolution	means the special resolution of the MichiCann Shareholders approving the Amalgamation which is to be considered at the MichiCann Meeting.
Business Combination Agreement	means the Business Combination Agreement between Tidal, Tidal Subco and MichiCann dated May 8, 2019, as amended and restated on March 12, 2020.
Completion Deadline	means April 30, 2020 or such later date as may be mutually agreed between the Parties in writing.

Closing	means the closing of the Transaction.
CSE	means the Canadian Securities Exchange.
Dissenting Shareholder	means a registered holder of MichiCann Shares who, in connection with the special resolution of the MichiCann Shareholders approving the Amalgamation, has exercised the right to dissent pursuant to Section 185 of the OBCA in strict compliance with the provisions thereof and thereby becomes entitled to be paid the fair value of his, her or its MichiCann Shares and who has not withdrawn the notice of the exercise of such right as permitted by Section 185 of the OBCA.
Effective Date	means the date shown on the Certificate of Amalgamation giving effect to the Amalgamation.
Effective Time	means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be agreed by MichiCann and Tidal.
Exchange Ratio	means 2 Resulting Issuer Consideration Shares (comprised of 1 Resulting Issuer Shares and 1 Resulting Issuer Series II Preferred Shares) for each one (1) MichiCann Share held.
Excluded Laws	means any U.S. federal laws, statutes, codes, ordinances, decrees, rules, regulations which apply to the production, trafficking, distribution, processing, extraction, and/or sale of marijuana (cannabis) and related substances.
Federal CSA	means the U.S. Controlled Substances Act of 1970.
Fundamental Change Written Consent	means the written consent of the holders of Tidal Shares to approve the Transaction
Holder Application	Means the application to LARA by the holder of the PharmaCo Debenture seeking permission to convert the PharmaCo Debenture and own the PharmaCo Shares.
IFRS	means the International Financial Reporting Standards, as issued by the International Accounting Standards Board.
Issuer	means Tidal Royalty Corp.
legal cannabis industry	means any business operating in a State of the United States that pertains in any way to cannabis, which is carried out in compliance with all applicable State laws and regulations.
LARA	means The Department of Licensing and Regulatory Affairs in the State of Michigan or as it otherwise may be known from time to time.
Management	means the management of the Resulting Issuer.
Material Adverse Effect	means any event, change or effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, assets, liabilities, or business of a Party and its Subsidiaries, considered as a whole, provided, however, that a Material Adverse Effect shall not include an adverse effect resulting from a change: (a) which arises out of or in connection with a matter that has been publicly disclosed or otherwise disclosed in writing by such Party to the other Party prior to the

	date of this Agreement; (b) resulting from conditions affecting the medical marijuana industry as a whole; or (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere.
MichiCann	means MichiCann Medical Inc.
Michicann Meeting	means a special meeting of the shareholders of MichiCann to be held in order to seek shareholder approval for the Amalgamation.
MichiCann Shareholder	means a registered holder of MichiCann Shares, from time to time, and “MichiCann Shareholders” means all such holders.
MichiCann Shareholder Approval	means the approval of the Amalgamation Resolution by at least two-thirds of the votes cast by the MichiCann Shareholders present in person or by proxy at the MichiCann Meeting.
MichiCann Shares	means the common shares in the capital of MichiCann..
OBCA	means the Ontario <i>Business Corporations Act</i> , R.S.O. 1990, c. B.16.
PharmaCo	Means PharmaCo Inc., a corporation incorporated under the laws of Michigan.
Preferred Shares	means the non-voting, Series 1 Convertible Preferred Shares of the Issuer.
Red White & Bloom Brands Inc. Resulting Issuer	means the Resulting Issuer.
Resulting Issuer Consideration Shares	means Tidal after completion of the Transaction and after giving effect to the Tidal Name Change to Red White & Bloom Brands Inc.
Resulting Issuer Convertible Securities	means the Resulting Issuer Shares and the Resulting Issuer Series II Preferred Shares, to be issued in accordance with the Exchange Ratio.
Resulting Issuer Options	means, collectively, the Resulting Issuer Options and the Resulting Issuer Warrants.
Resulting Issuer Preferred Shares	means stock options to purchase Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to be issued to the holders of the MichiCann Options in replacement for their MichiCann Options in accordance with the Exchange Ratio.
Resulting Issuer Series II Preferred Shares	means the Tidal Preferred Shares after giving effect to the completion of the Business Combination.
Resulting Issuer Shares	means the Tidal Series II Preferred Shares after giving effect to the completion of the Business Combination.
Resulting Issuer Warrants	means the common shares in the capital of the Resulting Issuer.
	means purchase warrants to purchase Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to be issued to the holders of the MichiCann Warrants in replacement for their MichiCann Warrants in accordance with the Exchange Ratio.

Tidal	means Tidal Royalty Corporation.
Tidal Advisory Fee	means the 14,762,000 Resulting Issuer Shares to be issued to certain advisors upon completion of the Business Combination of which 50% will be Resulting Issuer Shares and 50% will be Resulting Issuer Series II Preferred Shares.
Tidal Board	means the board of directors of the Issuer.
Tidal Director Appointments	means subject to the completion of the Amalgamation, the reconstitution of the Tidal Board to consist of five (5) directors in the manner provided for in the Business Combination Agreement.
Tidal Name Change	means the change of name of the Issuer to “Red White & Bloom Brands Inc.” or such other name as may be agreed upon by the Issuer and MichiCann.
Tidal Shares	means the common shares in the capital of the Issuer.
Tidal Share Consolidation	means the consolidation of the issued and outstanding Tidal Shares on the basis of sixteen (16) pre-consolidation Tidal Shares for one (1) post-consolidation Tidal Share.
Tidal Shareholder Approval	means obtaining the Fundamental Change Written Consent signed by at least 50.1% of the Tidal Shareholders as required pursuant to the rules of the CSE.
Tidal Subco Or Subco Transaction	means 2690229 Ontario Inc. a wholly owned subsidiary of Tidal. means the Amalgamation and related transactions pursuant to the Business Combination Agreement.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

The Issuer was incorporated under the laws of British Columbia on March 12, 1980 as Treminco Resources Ltd. On February 19, 1999, the Issuer changed its name to Elkhorn Gold Mining Corporation; on October 12, 2011, the Issuer changed its name to Tulloch Resources Ltd.; and effective July 18, 2017, the Issuer changed its name to Tidal Royalty Corp. The registered and records office of the Issuer is located at Suite 810, 789 West Pender Street, Vancouver, British Columbia V6C 1H2.

MichiCann was incorporated under the laws of Ontario on December 5, 2017. The registered and records office of MichiCann is located at 8820 Jane Street, Concord, Ontario, L4H 2M9.

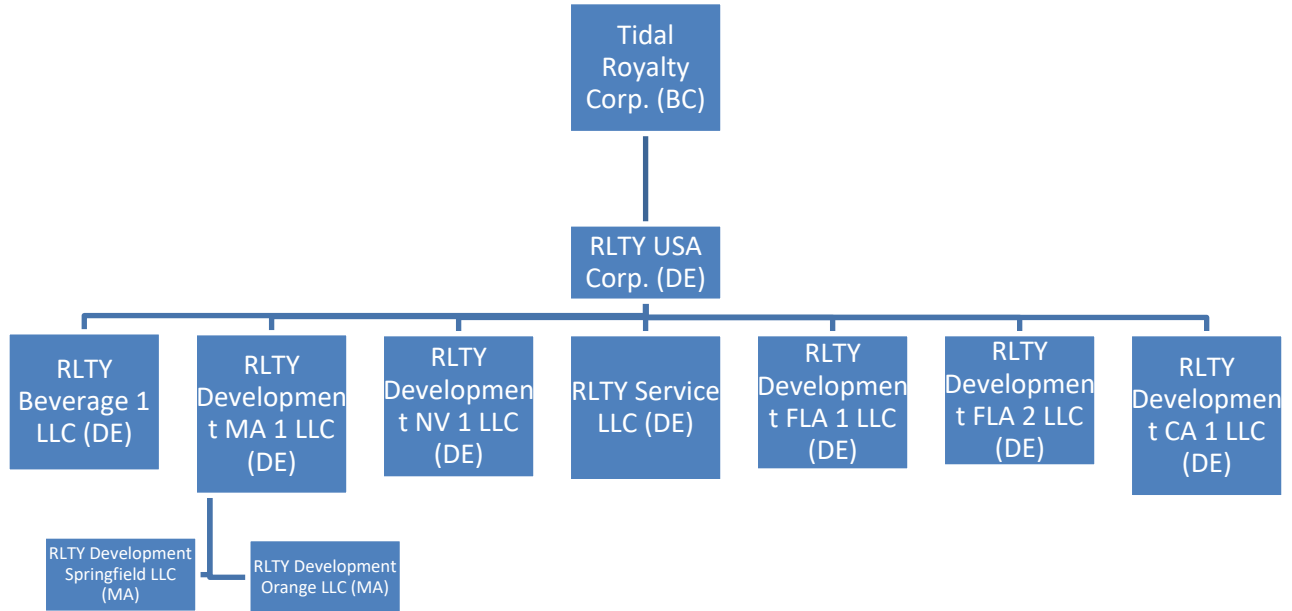
Following completion of the Business Combination and the Tidal Name Change, it is expected that the full corporate name of the Resulting Issuer will be “Red White & Bloom Brands Inc.”. The registered and records office of the Resulting Issuer will be Suite 810, 789 West Pender Street, Vancouver, British Columbia V6C 1H2.

2.2 Jurisdiction of Incorporation

The Issuer was incorporated under the *Business Corporations Act* (British Columbia). MichiCann was incorporated under the *Business Corporations Act* (Ontario).

2.3 Intercorporate Relationships

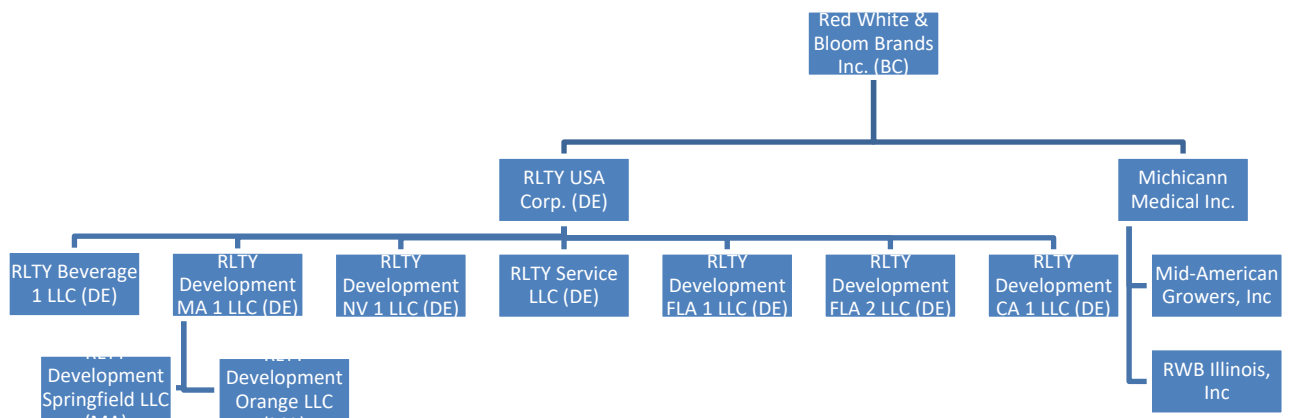
The following sets out the organization structure of the Issuer:



MichiCann has the following two subsidiaries:

1. Mid-American Growers, Inc. (“**MAG**”), a corporation existing under the laws of the State of Delaware following the merger of Mid-American Growers, Inc. and RWB Acquisition Sub, Inc. on January 10, 2020; and
2. RWB Illinois, Inc. (“**RWB Illinois**”), a corporation incorporated under the laws of the State of Delaware

On completion of the Transaction, the corporate structure of the Resulting Issuer is as follows:



2.4

Issuer's requalifying following a fundamental change

On May 8, 2019, the Issuer, Tidal Subco and MichiCann entered into a business combination agreement as amended and restated on March 12, 2020, (the “**Business Combination Agreement**”), which set out the terms for the reverse take-over of the Issuer by MichiCann by way of the Amalgamation and the related transactions.

General

The principal consequences of the Amalgamation are summarized as follows:

- (a) the Amalgamating Corporations will amalgamate under the OBCA and will continue as one corporation under the name “MichiCann Medical Inc.”;
- (b) each issued and outstanding MichiCann Share (other than those held by Dissenting Shareholders) shall be exchanged in accordance with the following exchange ratios:

<u>Shareholders will receive*</u>	<u>For each</u>
one (1) fully paid and non-assessable Tidal Share and one (1) fully paid and non-assessable Tidal Series II Preferred Share	1 MichiCann Common Share
One (1) Warrant to	1 MichiCann Warrant

**purchase one (1) Tidal Share and one (1) Tidal Series II Preferred Share
one (1) Option to purchase 1 MichiCann Option
one (1) Tidal Share and one (1) Tidal Series II Preferred Share**

*following completion of the Tidal Share Consolidation

- (c) the articles of Amalco will be substantially the articles of MichiCann;
- (d) the by-laws of Amalco will be the by-laws of MichiCann;
- (e) the property and assets of each of the Amalgamating Corporations will be the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of the Amalgamating Corporations; and
- (f) all Tidal Options to be issued to holders of MichiCann Options on the Amalgamation will be issued under Tidal's current stock option plan.

The ownership of the Resulting Issuer on a fully diluted basis by the former shareholders of MichiCann and Tidal will be 87% and 13%, respectively.

If all of the conditions of the proposed Amalgamation are satisfied, including receiving the requisite shareholder approval as described herein and conditional approval of the Exchange, the Articles of Amalgamation are expected to be filed on April 24, 2020.

Business Combination Agreement

The following summary of the Business Combination Agreement is qualified in its entirety by the text of the Business Combination Agreement, a copy of which is attached hereto as Appendix "J" and which has also been filed by Tidal with the Canadian securities regulatory authorities and is available at www.sedar.com.

Business Combination Steps

The Business Combination is structured as a three-cornered amalgamation involving the Amalgamation of MichiCann with Tidal Subco pursuant to section 174 of the OBCA in exchange for Tidal Shares pursuant to the following steps:

- MichiCann shall duly call and convene the MichiCann Meeting not later than April 15, 2020 at which the MichiCann Shareholders will be asked to approve the Amalgamation Resolution;
- Tidal shall circulate the Fundamental Change Written Consent for the purpose of obtaining the Tidal Shareholder Approval;

- Tidal shall circulate forms of directors resolutions for the purpose of obtaining the approval of the board of directors for the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments, or hold one or more directors meetings in lieu thereof, in accordance with Tidal's articles and applicable Laws, as soon as reasonably practicable;
- Following the receipt of the MichiCann Shareholder Approval, the Tidal Shareholder Approval and immediately prior to the filing of the Articles of Amalgamation, Tidal shall take all necessary corporate steps to complete the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments;
- MichiCann and Tidal Subco shall amalgamate by way of statutory amalgamation under Section 174 of the OBCA on the terms and subject to the conditions contained in the Amalgamation Agreement and MichiCann and Tidal further agree that the Effective Date shall occur within five (5) Business Days following the later of: (i) the receipt of Tidal Shareholder Approval; and (ii) the satisfaction or waiver of all conditions imposed under the Business Combination Agreement and by the CSE or any other regulatory requirements;
- Upon completion of the Amalgamation:
 - MichiCann and Tidal Subco will amalgamate under the provisions of the OBCA and continue as one amalgamated corporation, being Amalco;
 - holders of outstanding MichiCann Shares shall receive Resulting Issuer Consideration Shares in accordance with the Exchange Ratio;
 - each outstanding Subco Share will be exchanged for Amalco Shares on the basis of one (1) Amalco Share for each Subco share;
 - as consideration for the issuance of the Resulting Issuer Consideration Shares to the holders of MichiCann Shares to effect the Amalgamation, Amalco will issue to the Resulting Issuer one (1) fully paid Amalco Share for each Resulting Issuer Consideration Share so issued;
 - all of the property and assets of each of MichiCann and Subco will be the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of MichiCann and Subco; and
 - Amalco will be a wholly-owned Subsidiary of Tidal;
- Resulting Issuer Options and Resulting Issuer Warrants shall be issued to the holders of the MichiCann Options and MichiCann Warrants, respectively, in exchange and replacement for, on an equivalent basis, such MichiCann Options and MichiCann Warrants, which shall thereby be cancelled. For greater certainty, 50% of the Resulting Issuer Options and the Resulting Issuer Warrants shall be exercisable into Resulting Issuer Shares and 50% of the Resulting Issuer Options and Resulting Issuer Warrants shall be exercisable into Resulting Issuer Series II Preferred Shares;

- 14,762,000 Resulting Issuer Shares will be issued to certain advisors upon completion of the Business Combination of which 50% will be Resulting Issuer Shares and 50% will be Resulting Issuer Series II Preferred Shares;
- as soon as practicable after the Effective Date, in accordance with normal commercial practice, the Resulting Issuer shall issue or cause to be issued certificates, DRS Statements or electronic positions within CDS representing the appropriate number of the Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to the former MichiCann Shareholders and the former Tidal Shareholders, as applicable. No fractional shares will be delivered to any MichiCann Shareholder or Tidal Shareholder otherwise entitled thereto and instead the number of shares to be issued to each former MichiCann Shareholder and Tidal Shareholder will be rounded down to the nearest whole number; and
- the Parties shall take any other action and do anything, including the execution of any other agreements, documents or instruments, that are necessary or useful to give effect to the Business Combination.

Representations, Warranties and Covenants

The Business Combination Agreement contains customary representations and warranties made by each of the parties in respect of the respective assets, liabilities, financial position, business and operations of Tidal, Tidal Subco and MichiCann. Both Tidal and MichiCann also provided covenants in favour of each other in the Business Combination Agreement which govern the conduct of the operations and affairs of each respective party prior to the closing date.

Mutual Conditions to the Transaction

The Business Combination Agreement contains conditions to the obligations of Tidal and MichiCann to complete the Transaction. Unless all such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, the Transaction will not be completed. The following is a summary of the significant conditions contained in the Business Combination Agreement:

- (a) there shall have been no action taken under any applicable Law or by any Government Authority and there shall not be in force any order or decree restraining or enjoining the consummation of the Business Combination;
- (b) the Business Combination Agreement shall not have been terminated pursuant to the terms of the Business Combination Agreement;
- (c) all regulatory approvals (including Exchange approvals) and corporate approvals for the Amalgamation shall have been obtained;
- (d) each party shall not have entered into any transaction or contract which would have a material effect on the financial and operational condition, or the assets of each party, excluding those transactions or contracts undertaken in the ordinary course of business, without first discussing and obtaining the approval of the other party;

(e) the MichiCann Shareholder Approval shall have been obtained;

(f) the Tidal Shareholder Approval shall have been obtained;

(g) Tidal shall have completed the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments;

Additional Conditions Precedent to the Obligations of MichiCann

(a) on or prior to the Effective Date, and effective upon completion of the Amalgamation, each of the directors and officers of Tidal who are not continuing on in such capacities shall have tendered their resignations and provided mutual releases in a form acceptable to MichiCann and the board of directors of Tidal, subject to the approval of the CSE, shall have been reconstituted, and the officers shall have been appointed;

(b) no Material Adverse Change with respect to Tidal shall have occurred between the date hereof and the Effective Date and the CEO of Tidal or another officer satisfactory to MichiCann shall deliver a certificate addressed to MichiCann certifying the foregoing immediately prior to the Effective Time;

(c) Tidal shall have complied and performed, in all material respects, all of its covenants and other obligations under the Business Combination Agreement which have not been waived by MichiCann, and all representations and warranties of Tidal contained in the Business Combination Agreement shall have been true and correct in all material respects as of the date of the Business Combination Agreement and shall remain true and correct in all material respects thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had three days to cure such misrepresentation, breach or non-performance), and the CEO of Tidal or another officer satisfactory to MichiCann shall deliver a certificate addressed to MichiCann certifying the foregoing immediately prior to the Effective Time;

(d) the Tidal board of directors, the Subco board of directors and the Tidal Shareholders as necessary, shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by Tidal to permit the consummation of the Business Combination and the transactions contemplated therewith; and

(e) MichiCann shall have received all of the Tidal Escrow Agreements and all covenants under the Tidal Escrow Agreements to be performed on or before the Effective Time which have not been waived by MichiCann shall have been duly performed by the counterparties thereto in all material respects.

If any of the above conditions shall not have been complied with or waived by MichiCann on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then,

subject to the cure provision provided for in section (c), MichiCann may terminate the Business Combination Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Business Combination Agreement by MichiCann. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by MichiCann of its obligations under the Business Combination Agreement and if such condition(s) precedent would have been satisfied but for such default, MichiCann shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under the Business Combination Agreement.

Additional Conditions Precedent to the Obligations of Tidal

(a) no Material Adverse Change with respect to MichiCann taken as a whole shall have occurred between the date hereof and the Effective Date and the President of MichiCann or another officer satisfactory to Tidal shall deliver a certificate addressed to Tidal certifying the foregoing immediately prior to the Effective Time;

(b) MichiCann shall have complied and performed, in all material respects, all of its covenants or other obligations under this Agreement which have not been waived by Tidal, and all representations and warranties of MichiCann contained in the Business Combination Agreement shall have been true and correct in all material respects as of the date of the Business Combination Agreement and shall remain true and correct in all material respects thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or nonperformance, the breaching Party shall have had three days to cure such misrepresentation, breach or nonperformance), and the President of MichiCann or another officer satisfactory to Tidal shall deliver a certificate addressed to Tidal certifying the foregoing immediately prior to the Effective Time;

(c) the MichiCann board of directors and the MichiCann Shareholders shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by MichiCann to permit the consummation of the Amalgamation, the Business Combination and the transactions contemplated by the Documents;

(d) Tidal shall have received all of the MichiCann Escrow Agreements and all covenants under the MichiCann Escrow Agreements to be performed on or before the Effective Time which have not been waived by Tidal shall have been duly performed by the counterparties thereto in all material respects; and

(e) the number of Dissenting MichiCann Shares, for which dissent rights have not been withdrawn, at the time of the MichiCann Meeting shall not exceed 5% of the number of issued and outstanding MichiCann Shares.

If any of the above conditions shall not have been complied with or waived by Tidal on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to the cure provision provided for in section (b), Tidal may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Business Combination Agreement by Tidal or Subco. In the event that the failure to satisfy any one or more of the above conditions precedent results from a

material default by Tidal or Subco of its obligations under the Business Combination Agreement and if such condition(s) precedent would have been satisfied but for such default, neither Party shall rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under the Business Combination Agreement.

Management of Tidal and MichiCann believes that all material consents, rulings, approvals and assurances required for the completion of the Transaction will be obtained prior to the closing date in the normal course upon application. There can be no assurance, however, that all of the conditions to the Transaction will be fulfilled prior to the anticipated closing date. The fulfilment of certain conditions may be waived by the parties to the Business Combination Agreement.

2.5 Non-Corporate Issuers or Issuers Outside of Canada

Not Applicable.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Issuer's Business

Between 1985 and 2000, the Issuer was involved in mineral exploration and was listed initially on the Vancouver Stock Exchange (as it was then known) and subsequently on the TSX Venture Exchange (the "TSX"). On September 4, 2001, the Issuer's Shares were delisted from the TSX for failure to meet the continued listing requirements of the TSX. Cease Trade Orders ("CTO's") were imposed on the Issuer by the Ontario Securities Commission and British Columbia Securities Commissions (the "Commissions") on January 11, 2002 and January 3, 2002, respectively. Between April 2001 and July 2010, the Issuer was inactive and did not carry on any business. On October 11, 2011, the Issuer changed its name to the Tulloch Resources Ltd.

On January 16, 2012, pursuant to Section 171 of the British Columbia *Securities Act* and Section 144 of the Ontario *Securities Act*, the Commissions issued revocation orders in respect to the prior CTO's issued against the Issuer. As part of the revocation, the Issuer undertook not to complete a transaction that would result in a Reverse Takeover while the Issuer is not listed on a "recognized stock exchange" unless prior to closing of such transaction, the Issuer provides the British Columbia Securities Commission with 10 business days' notice of the transaction.

Between 2012 and 2016, the Issuer undertook three (3) equity financings, raising an aggregate of \$125,000, through private placements of its common shares to cover expenses involved in the restoration of the Issuer, ongoing costs, and expenses involved in searching for an appropriate project. From 2014 to 2017, the Issuer identified and reviewed a number of opportunities but did not proceed with any project.

In July 2017, the Issuer changed its business to become an Investment Company with a focus on the U.S. legal cannabis industry. In order to make this change the Issuer:

1. retained new management with a track record in the U.S. legal cannabis industry and of acquiring and divesting in arm's-length enterprises;
2. changed its name from Tulloch Resources Ltd. to Tidal Royalty Corp;
3. consolidated its common shares on a three (3) old for one (1) new basis;

4. considered and created a clearly defined investment policy; and
5. received shareholders' approval to the change of the Issuer's business from mineral exploration to that of an Investment Company.

Prior Financings

On January 30, 2015, the Issuer issued 1,400,000 common shares in connection with a non-brokered financing at a price of \$0.05 per common share for aggregate proceeds of \$70,000.

On December 29, 2015, the Issuer issued 550,000 common shares in connection with a non-brokered financing at a price of \$0.10 per common share for aggregate proceeds of \$55,000.

On February 8, 2018, March 1, 2018 and April 30, 2018, the Issuer issued 59,370,000, 57,120,000 and 10,090,000 Special Warrants respectively, in connection with a non-brokered financing at a price of \$0.05 per Special Warrant for aggregate proceeds of \$6,329,000. The Special Warrants converted to Units four months from the date of issue.

On May 15, 2018, the Issuer issued 40,000,000 Preferred Share units in connection with a non-brokered offering at a price of \$0.05 per Preferred Share unit for aggregate gross proceeds of \$2,000,000.

On June 12, 2018, the Issuer issued 91,387,756 common shares in connection with a non-brokered private placement at a price of \$0.33 per common share for aggregate gross proceeds of \$30,157,960.

Investment Portfolio

On August 31, 2018, the Issuer executed a definitive agreement with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis ("**Diem**") to finance the expansion of TDMA LLC, a Massachusetts subsidiary of Diem ("**TDMA**") into Massachusetts. Diem is an experienced licensed operator in the highly-competitive Oregon market. Pursuant to the agreement, the Issuer will provide Diem Cannabis with up to US\$12.5 million over three years to develop and operate a large-scale cultivation and processing facility (the "**Site**") and up to four dispensaries (the "**Dispensaries**") in Massachusetts (the "**Diem Financing**"). The Diem Financing will be in the form of (i) promissory notes advanced at various stages of development of operations in the state; and (ii) the purchase price for real property acquisitions with respect to Sites and Dispensaries. Wholly owned subsidiaries of Tidal, RLTY Development Springfield LLC and RLTY Development Orange LLC have acquired title to the real property purchased in respect of the Site and Dispensary acquisitions and will enter into leases with TDMA (or its nominee) with respect to their operation.

On November 15, 2018, the Issuer announced it had purchased \$3 million of units (the "**FLRish Units**") of FLRish, Inc., the parent company of Harborside ("**Harborside**") and entered into a non-binding memorandum of understanding ("**MOU**") with Harborside to provide royalty financing to prospective "Harborside" brand dispensary operators. There has been no progress on the MOU as of the date of this listing statement. Each FLRish Unit is comprised of (A) one 12% unsecured convertible debenture, convertible into common shares of Harborside (i) at the option of the holder at any time prior to the last business day immediately preceding the third anniversary date of the closing; and (ii) automatically upon a Harborside going-public transaction, at a conversion price equal to the lower of (i) \$6.90; and (ii) a 10% discount to the price of the common shares of

Harborside as part of a qualifying transaction; and (B) 87 common share purchase warrants exercisable for a period of two years following the closing into common shares of Harborside at an exercise price of \$8.60 (subject to acceleration in the event of a going public transaction). Pursuant to the terms of the MOU, the Issuer has agreed to provide up to US\$10 million in royalty financing to prospective dispensary operators licensing the “Harborside” brand. Each potential dispensary financing transaction will be assessed by the Issuer on a case-by-case basis and will be subject to the satisfactory completion of due diligence by the Issuer and the consummation of definitive documentation with the prospective dispensary operator.

In June 2019, Harborside Inc. (formerly Lineage Grow Company Ltd.) completed its previously announced reverse takeover of FLRish Inc. (doing business as Harborside), pursuant to the terms of a merger agreement dated Feb. 8, 2019, as amended on April 17, 2019, among the company, FLRish and Lineage Merger Sub Inc., a wholly owned subsidiary of the company. The reverse takeover was completed by way of a three-cornered merger, whereby FLRish merged with Merger Sub to form a merged corporation and a wholly owned subsidiary of the company.

Immediately prior to the reverse takeover taking effect, the company: (i) consolidated its common shares on the basis of approximately 41.82 common shares into one new common share; (ii) changed its name to Harborside Inc.; (iii) reclassified the post-consolidation common shares as subordinate voting shares; and (iv) created a new class of multiple voting shares. On closing, the shareholders of FLRish received multiple voting shares, subordinate voting shares or a combination thereof for each share of FLRish outstanding immediately prior to completion of the reverse takeover.

On November 5, 2018, the Issuer entered into a binding letter of intent with Lighthouse Strategies LLC (“Lighthouse”) to make subscription, by way of private placement, for US \$5,000,000 of Lighthouse’s Series A membership units.

Lighthouse is a finance, research & technology, and portfolio management company. It operates 11 companies and 150,000 square feet of real estate under management serving both traditional and regulated markets, including vertically integrated cannabis assets licensed in California and Nevada. Lighthouse is renowned for developing the world’s first non-alcoholic cannabis-infused craft beer and liquor brand. Cannabiniers, a Lighthouse company, debuted Two Roots Brewing Co. in Las Vegas, Nevada earlier this year.

On December 1, 2018 Lighthouse entered into a Financing Fee Agreement with RLTY Beverage 1 LLC (the “**Financing Fee Agreement**”). Pursuant to the Financing Fee Agreement, Tidal is entitled to 1% of net sales of certain of Lighthouse’s beverage lines, including Cannabiniers, Two Roots Brewing Co and Creative Waters Beverage Company. Financing fees will accumulate at 1% of net sales until December 1, 2019, at which point Tidal may choose to receive such fees in cash or Series A membership units of Lighthouse at US \$2.11 per unit. Thereafter, financing fees are payable quarterly in cash. The terms of the Financing Fee Agreement are between four and six years, depending on certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control, or initial public offering).

On February 25, 2019, Tidal advanced \$15,000,000 to MichiCann pursuant to a senior secured convertible debenture which was amended on August 28, 2019 pursuant to a first amending agreement (the “**First Amending Agreement**”), September 11, 2019 pursuant to a second amending agreement (the “**Second Amending Agreement**”) and March 12, 2020 pursuant to a third amending agreement (the “**Third Amending Agreement**”) (together, the “**MichiCann**

Debenture”). The MichiCann Debenture is non-interest bearing, other than in the event of default by MichiCann and matures on April 30, 2020 (the “**Maturity Date**”). The MichiCann Debenture is secured by way of a security interest against the personal property of MichiCann which security interest is subordinated to the security interest held by Bridging Finance Inc. (“**Bridging**”). If the Proposed Transaction is not completed by the Maturity Date or MichiCann fails to comply with the terms of the MichiCann Debenture and MichiCann pursues an alternative go public transaction or a change of control transaction (an “**Alternate Liquidity Transaction**”), the Company may elect to convert, in whole or in part, the outstanding amount of the MichiCann Debenture into common shares of MichiCann at a price per MichiCann share that is the lesser if i) \$2.50 per MichiCann Share and (ii) a 20% discount to the issue or effective price per Michicann Share under the Alternate Liquidity Transaction. If the Proposed Transaction is not complete by April 30, 2020, MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%. On August 28, 2019, the Issuer advanced MichiCann an additional US \$2,000,000 pursuant to the First Amending Agreement and on March 12, 2020, an additional US \$500,000 pursuant to the Third Amending Agreement to fund MichiCann working capital.

The Tidal Debenture is secured against the assets of MichiCann pursuant to a general security and pledge agreement dated February 25, 2019 (the “**GSA and Pledge Agreement**”) which security interests have been subordinated behind the security interest held by Bridging.

On May 8, 2019, the Issuer entered into the Business Combination Agreement with Tidal Subco and MichiCann (as amended June 28, 2019 and July 30, 2019).

On March 12, 2020, the Issuer entered in the Amended and Restated Business Combination Agreement with Tidal Subco and Michicann and entered into a third amending agreement with MichiCann to, among other things, extend the maturity date of the Debenture to April 30, 2020.

On April 24, 2020, the Issuer closed the Amended and Restated Business Combination Agreement with Tidal Subco and Michicann, consolidated its common shares of a 16:1 basis and changed its name to Red White & Bloom Brands Inc.

3.2 General Development of MichiCann’s Business

MichiCann, operating as Red White & Bloom, is an investment company with a focus on the US cannabis industry. MichiCann’s current investments are the PharmaCo Debenture and its rights under the PharmaCo Put/Call Option Agreement.

On January 4, 2019, MichiCann entered into the Put-Call Option Agreement with the shareholders of PharmaCo, which if exercised and subject to regulatory approval, would result in MichiCann acquiring all the issued and outstanding shares of PharmaCo. (See General Development of MichiCann’s Business – *Agreements with PharmaCo*).

PharmaCo has been granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan and has been awarded multiple municipal and state approvals for grower permits (cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries). Current approvals allow for stacking of Michigan “C Licenses” providing the PharmaCo with a unique opportunity to establish itself as one of the largest licensed producer of cannabis in Michigan state.

On January 10, 2020, MichiCann closed the asset acquisition of Mid-American Growers, Inc.

On January 10, 2020, MichiCann's wholly-owned subsidiary, RWB Illinois acquired 142 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois. (For a more detailed description of these agreements, see General Development of MichiCann's Business – *Agreements with MAG*).

Prior Financings

Since MichiCann's incorporation on December 5, 2017, MichiCann has completed the following financings:

On April 3, 2018, MichiCann issued an aggregate of \$1,012,000 principal amount of unsecured convertible debentures (the “**Unsecured Debentures**”) convertible into MichiCann Shares at a price of \$0.50 per MichiCann Share. All Unsecured Debentures converted into an aggregate of \$2,024,000 MichiCann Shares on November 21, 2018.

On December 18, 2018, MichiCann issued 30,068,182 MichiCann Shares pursuant to a non-brokered financing (first tranche) at a price of \$1.00 per MichiCann Share for aggregate proceeds of \$30,068,182.

On February 22, 2019, MichiCann issued 4,500,000 MichiCann Shares pursuant to a non-brokered financing (second tranche) at a price of \$1.00 per MichiCann Share for aggregate proceeds of \$4,500,000.

On February 22, 2019, MichiCann issued 2,240,000 MichiCann Shares pursuant to a non-brokered financing at a price of \$2.50 per MichiCann Share for aggregate proceeds of \$5,600,000.

On February 25, 2019, MichiCann issued the \$15,000,000 MichiCann Debenture which was increased by an additional US \$2,000,000 on August 28, 2019 pursuant to the First Amending Agreement.

On September 30, 2019, MichiCann issued 1,168,100 MichiCann Shares pursuant to a non-brokered financing (first tranche) at a price of \$5.00 per MichiCann Share for aggregate proceeds of \$5,840,500.

On October 9, 2019, MichiCann issued 840,000 MichiCann Shares pursuant to a non-brokered financing (second tranche) at a price of \$5.00 per MichiCann Share for aggregate proceeds of \$4,200,000.

On October 23, 2019, MichiCann issued 1,200,000 MichiCann Shares pursuant to a non-brokered financing (third tranche) at a price of \$5.00 per MichiCann Share for aggregate proceeds of \$6,000,000.

On December 18, 2019, MichiCann issued 27,000 MichiCann Shares pursuant to a non-brokered financing (second tranche) at a price of \$5.00 per MichiCann Share for aggregate proceeds of \$135,000.

On June 4, 2019, Bridging entered into a credit agreement (the “**Credit Agreement**”) with MichiCann and PharmaCo (collectively, the “**Borrowers**”) pursuant to which Bridging established a non-revolving credit facility (the “**Facility**”) for the Borrowers in a maximum principal amount of CAD \$36,374,400 (the “**Facility Limit**”). The purpose of the Facility is so that the PharmaCo can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

The obligations under the Facility are due and payable on the earlier of:

- (a) the termination date (being January 4, 2020); and
- (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Credit Agreement).

In respect of the advance made by Bridging to the Borrowers under the Facility, the Borrowers agreed to pay Bridging:

Interest at the prime rate plus 10.55% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and

A work fee equal to CAD \$909,360 (the “**Work Fee**”) was paid to Bridging.

The obligations under the Facility are secured by general security agreements on each Borrower, mortgages on certain owned real property of PharmaCo among other security obligations.

As the funds under the Facility (net of the Work Fee, commissions and other transaction expenses of Bridging) were advanced by Bridging directly to MichiCann, MichiCann in turn advanced the funds (net of MichiCann’s transaction expenses) to PharmaCo pursuant to a Promissory Note (the “**Promissory Note**”) issued by PharmaCo to MichiCann in the principal amount of CAD. \$30,648,516.53 (the “**Principal**”). The Principal was due and payable in full on January 2, 2020 (the “**Maturity Date**”). PharmaCo may prepay the Principal in full in whole prior to the Maturity Date. Any amounts payable by PharmaCo or MichiCann to Bridging under the Facility will reduce the amount of PharmaCo’s obligations to MichiCann on a dollar for dollar basis under the Promissory Note.

On January 10, 2020, the Facility was amended (the “**Amended Facility**”) pursuant to an amended and restated credit agreement between Bridging, MichiCann (as guarantor) and PharmaCo, RWB Illinois and MAG (as borrowers) (the “**Amended Credit Agreement**”). The Resulting Issuer is guaranteeing the obligations of PharmaCo, RWB Illinois and MAG under the Amended Credit Agreement.

The Amended Facility increased the Facility Limit to US \$49,750,000 in the aggregate of which US \$27,000,000 was to refinance the existing Facility and US \$22,750,000 was used to complete the MAG Acquisition and for general corporate and operating purposes.

The obligations under the Facility are due and payable on the earlier of:

- (a) the termination date (being July 10, 2021 subject to the right of the Borrowers to extend the termination date by paying a 1% fee for two additional six-month periods for a total of 30 months); and
- (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Amended Credit Agreement).

In respect of the advance made by Bridging to the Borrowers under the Facility, the Borrowers agreed to pay Bridging:

Interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and

PharmaCo

PharmaCo was incorporated under the laws of the State of Michigan on March 11, 2016. PharmaCo has been granted a Step 1 prequalification by the Medical Marihuana Licensing Board of the State of Michigan on October 18, 2019, File No. ERGA-18-000091. See “4.1 – Narrative Description of Business” for a discussion of PharmaCo’s assets.

Agreements with PharmaCo

On January 4, 2019, MichiCann entered into a debenture purchase agreement (the “**Debenture Purchase Agreement**”) with PharmaCo pursuant to which MichiCann agreed to purchase an up to US \$114,734,209 8% senior secured convertible debenture of PharmaCo (the “**PharmaCo Debenture**”). The PharmaCo Debenture has a maturity date of January 4, 2023 unless the PharmaCo Debenture becomes earlier due.

The principal amount of PharmaCo Debenture outstanding is convertible at any time on the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the holder received LARA’s written approval of the Holder Application. In such circumstances, the principal amount of the PharmaCo Debenture is convertible into common shares of PharmaCo at a conversion price equal to the then outstanding balance of the PharmaCo Debenture divided by the total number of PharmaCo Shares then outstanding.

Notwithstanding the foregoing, the conversion of the PharmaCo Debenture is subject to PharmaCo and MichiCann having obtained all required permits from governmental authorities in connection with MichiCann’s ownership of PharmaCo Shares, including, without limitation, all required cannabis licenses or related permits issued by LARA (but excluding any permit or other requirement which arises or may arise under any Excluded Law).

The PharmaCo Debenture is secured against the assets of PharmaCo pursuant to security agreement dated as of January 4, 2019.

On January 4, 2019, MichiCann advanced USD\$21,320,758.20 as a first tranche under the PharmaCo Debenture, (which, included prior advances of USD \$4,269,521.00 made by MichiCann to PharmaCo pursuant to various non-interest bearing promissory notes).

On January 4, 2019, MichiCann entered into a put/call option agreement (the “**Put/Call Option Agreement**”) with PharmaCo and its shareholders (“**PharmaCo Shareholders**”) pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo Shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann Shares in the aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation (“**BMMR**”) within the Department of Licensing and Regulatory Affairs (“**LARA**”) in the State of Michigan. Each PharmaCo Shareholder shall have the right, but not the obligation, as its sole direction, to sell to PharmaCo all, but not less than all, of the PharmaCo Shares held by it (the “**Put Right**”). The Put Right shall be exercised by a PharmaCo Shareholders by the delivery of a written notice to MichiCann.

On February 22, 2019, MichiCann advanced USD \$6,046,863.19 as a second tranche under the PharmaCo Debenture.

On March 1, 2019, MichiCann advanced USD \$11,327,594.02 as a third tranche under the PharmaCo Debenture.

On October 10, 2019, MichiCann advanced USD \$2,100,000 as a fourth tranche under the PharmaCo Debenture.

On December 9, 2019, MichiCann advanced USD \$925,000 as a fifth tranche under the PharmaCo Debenture.

On January 22, 2020, MichiCann advanced USD \$1,500,000 as a sixth tranche under the PharmaCo Debenture.

Other Investments

MAG

On January 10, 2020, Mid-American Growers, Inc. completed its merger with MichiCann's wholly-owned subsidiary, RWB Acquisition Sub, Inc., to form MAG. MAG is a facility, recently licensed for Hemp production, consist of a 3.6 million square foot modernized greenhouse with tens of thousands of square feet in ancillary structures to support future hemp CBD production in the State of Illinois.

Agreements with MAG

On October 9, 2019, MichiCann entered into an agreement and plan of merger (the "**MAG Merger Agreement**") with Mid-American Growers, Inc., RWB Acquisition Sub, Inc. and Arthur VanWingerden and Ken VanWingerden (collectively, the "**MAG Sellers**") pursuant to which MichiCann will acquire all the issued and outstanding shares of Mid-American Growers, Inc. This Merger Agreement was amended on November 1, 2019 and January 9, 2020. MAG owned 124 acres of real property commonly known as 14240 Greenhouse Avenue, Granville Illinois (the "**MAG Owned Property**").

Concurrent with the closing of the MAG Acquisition, MichiCann's wholly owned subsidiary, RWB Illinois acquired additional 106 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois for US\$2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB Illinois, VW Properties LLC, as seller, and each of the MAG Sellers (the "**Real Estate Purchase Agreement**").

Pursuant to the MAG Merger Agreement, on closing of the MAG Acquisition, MichiCann paid to the MAG Sellers US \$7,100,000 in cash and issued to the Sellers a non-transferable, fully paid right to receive in the aggregate 17,133,597 Resulting Issuer Shares and 17,133,597 Resulting Issuer Series 2 Preferred Shares.

3.3 Trends, Commitments, Events or Uncertainties

In accordance with the Canadian Securities Administrators' Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties”
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties”
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties”
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties” Section 17 – Risk Factors – U.S. state regulatory uncertainty
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are/are not available in order to support continuing operations.	See “4.1 – Narrative Description of Business”
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	See Financial Statements of Tidal Royalty Corp.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has been obtained.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties” Section 17 – Risk Factors – U.S. state regulatory uncertainty
	Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-	See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties” Section 17 – Risk Factors – U.S.

	compliance, citations or notices of violation which may have an impact on the issuer’s licence, business activities or operations.	state regulatory uncertainty
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer’s investee(s) operate.	While the Company currently only has ancillary involvement in the U.S. cannabis industry through its financing commitments to Diem, the Company anticipates entering into additional arrangements, which may include non-controlling investments in an entity directly involved in the U.S. marijuana industry, and the Company will evaluate, monitor and reassess the following disclosure, and any related risks, on an ongoing basis. The Company’s disclosure regarding its marijuana-related activities will be supplemented, amended and communicated to investors in public filings, including in the event of a change in the type of industry involvement of the Company, government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation..
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s licence, business activities or operations.	Although the Company’s activities, and the Company believes the activities of the companies it finances, are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis would neither absolve the Company or the entities the Company finances of liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against the Company
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Section 17 – Risk Factors – U.S. state regulatory uncertainty

See “4.2 – Market Information, Trends, Commitments, Events and Uncertainties”.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Narrative Description of the Business

Tidal Royalty Corp

General

Issuer is a publicly traded company with a focus on investing and financing in businesses that pertain in any way to cannabis which are carried out in compliance with applicable U.S. state laws (“**legal cannabis industry**”). The Issuer anticipates entering into financing arrangements involving royalties, debt and other forms of investments / acquisitions in private and public companies in the US legal cannabis industry.

The Issuer’s business objective is to provide capital solutions to companies in the legal cannabis industry with large-scale potential and a highly-skilled and experienced management team across multiple industry verticals, including cultivation, processing and distribution. The Issuer is actively pursuing opportunities to provide expansion capital to licensed, qualified operators across multiple industry verticals including cultivation, processing and distribution.

Composition of Investment Portfolio

The nature and timing of the Issuer’s investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Issuer. The Issuer expects its investment activities will be primarily focused on enterprises located in the United States, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). The Issuer expects to invest solely in cannabis sector. The Issuer believes that any risk of limited diversification may be mitigated by closely monitoring its investments. The actual composition of the Issuer’s investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of U.S. cannabis markets and credit risk.

Investment Objectives

The principal investment objectives of the Issuer are as follows:

- to seek high return investment opportunities by providing project-specific financing to public and private companies through a range of investment instruments;
- to identify early stage opportunities with attractive risk/reward ratios;
- to preserve its capital and limit the downside risk of its capital;
- to achieve a reasonable rate of capital appreciation;
- to minimize the risk associated with investments by obtaining appropriate security, where possible; and
- to generate predictable cash-flow.

The Issuer’s investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of senior management and approval by the

board of directors of the Issuer. The Issuer does not anticipate the declaration of dividends to shareholders at this time and plans to re-invest the profits of its investments to further the growth and development of the Issuer's investment portfolio.

Investment Strategy

To achieve the objectives as stated above, while mitigating risk, the Issuer, when appropriate, shall employ the following disciplines:

- The Issuer will obtain detailed knowledge of the relevant business in which the investment will be made, as well as the target company (“**Investee**”).
- The Issuer will seek to retain management or consultants having specific industry expertise within the industry or sector in which an investment is contemplated or has been made.
- The Issuer will work closely with the Investee's management and board, and in some cases, assist in sourcing experienced and qualified persons to add to the board and/or management of the Investee. In certain circumstances, a representative of the Issuer may be appointed to an Investee's board of directors.

Investments may include:

- equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments;
 - acquisitions, partnership interests, or joint venture interests with Investees;
 - acquisition of a business or its assets, directly or via a wholly owned subsidiary, and subsequent managing or assisting in developing the underlying business;
 - capital investment in private companies, and assistance in moving them to an acquisition or merger transaction with a larger company or to the public stage through initial public offering, reverse takeover or other liquidity event;
 - early stage equity investments in public companies believed to have favourable management and business; and
 - where appropriate, acting as a third-party advisor for opportunities in target or other companies, in exchange for a fee.
- The Issuer will have flexibility on the return sought, while seeking to recapture its capital within a reasonable period following the initial investment(s).
 - The Issuer will seek to maintain the ability to actively review and monitor all of its investments on an ongoing basis. Investees will be required to provide continuous disclosure of operations and financial status. From time to time, the Issuer may insist on board or management representation on Investees.
 - The Issuer will continually seek liquidity opportunities for its investments, with a view to optimizing the return on its investment; recognizing that no two investments will be alike in terms of the duration held or the best means of exiting an investment.

- The Issuer may acquire interests in Investees within the framework of the above guidelines, which from time to time may result in the Issuer holding a control or complete ownership position in an Investee.
- The Issuer may utilize the services of both independent organizations and securities dealers to gain additional information on target investments where appropriate.

Notwithstanding the foregoing, from time to time, the board of directors may authorize such investments outside of these disciplines as it sees fit for the benefit of the Issuer and its shareholders.

Portfolio

The Issuer's current portfolio companies are Diem Cannabis, Harborside and Lighthouse, the financing transactions in respect of each are described further below.

Diem Cannabis

On August 31, 2018, the Issuer entered into a definitive agreement (the “**Closing**”) with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis (“**Diem**”) to finance the expansion of TDMA LLC, a Massachusetts subsidiary of Diem (“**TDMA**”) into Massachusetts. Diem is an experienced licensed operator in the highly-competitive Oregon market. Pursuant to the agreement, the Issuer will provide Diem Cannabis with up to US\$12.5 million over three years to develop and operate a large-scale cultivation and processing facility (the “**Site**”) and up to four dispensaries (the “**Dispensaries**”) in Massachusetts (the “**Diem Financing**”). The Financing will be in the form of (i) promissory notes advanced at various stages of development of operations in the state; and (ii) the purchase price for real property acquisitions with respect to Sites and Dispensaries. Newly-formed subsidiaries of RLTY Development MA 1 LLC will acquire title to the real property purchased in respect of the Site and Dispensary acquisitions and will enter into leases (“**Leases**”) with TDMA (or its nominee) with respect to their operation.

The Leases will be “triple net” and will include payments of (i) annual base rent; (ii) percentage rent of net sales; and (iii) additional rent relating to the costs of property insurance, real estate taxes and any maintenance and repair. Where Diem proposes to enter into a third-party lease in respect of a dispensary (an “**Operating Lease**”) as opposed to the purchase of real property, Diem will enter into the operating lease directly with the third-party lessor and will grant to us a collateral assignment in such Operating Lease.

The stages of development of operations at which financing will be deployed are: (1) At the due diligence phase when Sites and Dispensaries are being identified, investigated and preliminary purchase and sale or lease agreements are being negotiated. Financing at this stage is expected to be used by Diem to fund day-to-day operations including salaries of its staff, rent, legal fees, etc. (2) At the purchase and sale or lease phase when definitive purchase and sale or lease agreements are entered into. In the case of properties to be purchased, financing will be used by the applicable Issuer subsidiary to purchase the property, make property insurance payments, pay legal fees, etc. In the case of properties to be leased, financing is expected to be used by Diem to make lease payments, any applicable deposits, insurance payments, legal fees, etc. (3) At the construction phase when the Site and Dispensaries are retrofitted or constructed for their intended use. Financing at this stage is expected to be used by Diem to fund construction costs, lease or purchase

equipment and chattels, and other expenditures required in order for the Site and Dispensaries to become operational.

Currently, a property in respect of a Dispensary has been acquired in Springfield, MA (title acquired by RLTY Development Springfield LLC) (the “**Springfield Property**”) and a property in respect of a Site has been acquired in Orange, MA (title acquired by RLTY Development Orange LLC) (the “**Orange Property**”).

The payment of rent pursuant to the Leases will only commence in respect of the Orange Property and each Dispensary once they are constructed, licenses for manufacturing/sales have been obtained and the locations are fully operational. Construction on the Springfield Property is expected to commence imminently and is estimated to last three-to-five months. Construction on the Orange Property is expected to commence imminently and is estimated to last 10-12 months. Applications to the appropriate regulatory authorities in respect of property-specific licenses are expected to commence late in 2019. As such, it is currently anticipated that the payment of rent pursuant to the Lease in respect of the Springfield Property will commence in the fourth quarter of 2019 and the payment of rent pursuant to the Lease in respect of the Orange Property to commence in the first quarter of 2020. However, construction projects may often involve unforeseen delays or uncover unexpected issues beyond the control of Issuer, and it is difficult to anticipate the length of time required to receive regulatory approval and for the required licenses to be issued. As such, there can be no assurance that the payment of rent pursuant to the Leases in respect of the Orange Property and the Springfield Property will commence on this anticipated timeline or at all. As the identification and negotiations for the purchase or lease of additional Dispensaries are ongoing, it is not yet known when such additional Leases will be entered into and the payment of rent will commence.

The Financing will be secured by (i) guarantees of the payment and performance of all obligations of TDMA by Diem and certain of its subsidiaries (the “**Entity Guarantors**”) and key individuals (the “**Individual Guarantors**”); (ii) liens over all of the assets of the Entity Guarantors; (iii) pledges by the Entity Guarantors and Individual Guarantors of all equity interests in Diem and/or its subsidiaries; and (iv) in the case of Operating Leases, collateral assignments in such Operating Leases.

During the period ended October 31, 2018, and pursuant to the Financing, the Issuer entered into a promissory note (“**Promissory Note**”) agreement with TDMA for \$434,933 (USD\$334,190) as a working capital advance for identification and negotiation of the purchase agreements for the Site and Dispensaries. The Promissory Note bears interest of 10% per annum and is due on February 28, 2021, unless earlier satisfied as described below.

Once the Site and Dispensaries are operational and the Leases have been entered into, the Promissory Note and all subsequently issued promissory notes (including interest accrued thereon) will be deemed satisfied in full. If the Site and Dispensaries are not operational within 2.5 years following the Closing, the Issuer will have the right to seek certain repayments, including repayment of the Promissory Note and all subsequently issued promissory notes.

On August 23, 2019, the Company entered into a Termination of Framework Agreement (the “**Termination**”) with Diem. Pursuant to the termination, the Company will convey titles of certain properties (Note 7) to TDMA in exchange of two promissory notes (the “**Property Promissory**”).

Note”) for US \$372,500. The Framework Agreement Promissory Note bears interest of 10% per annum and is due on August 31, 2021.

On September 26, 2019, the Company entered into a definitive Membership Interest Purchase Agreement (the “**MIPA**”) with TDMA to acquire all of the issued and outstanding equity in TDMA Orange, LLC, a Diem Cannabis subsidiary. Pursuant to the terms of the MIPA, the Company obtains 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts.

As consideration, the Company will forgive the Framework Agreement Promissory Note and Property Promissory Note including accrued interest, cross collateralization and general security arrangement.

Lighthouse Strategies LLC

On January 9, 2019, the Issuer’s wholly-owned subsidiary, RLTY Beverage 1 LLC, closed its strategic private placement for \$5-million (U.S.) of Series A membership units of Lighthouse Strategies LLC (“**Lighthouse**”) and the concurrent financing fee agreement.

Pursuant to the financing fee agreement, the Issuer is entitled to 1% of the net sales of certain of Lighthouse's beverage lines, including Cannabiniers, Two Roots Brewing Co. and Creative Waters Beverage Company. Financing fees will accrue until Dec. 1, 2019, at which point the Issuer may choose to receive such fees in cash or Series A membership units of Lighthouse. Thereafter, financing fees are payable quarterly in cash. The term of the financing fee agreement is between four and six years, depending on the achievement of certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control or initial public offering).

Harborside Inc.

On November 15, 2018, the Issuer purchased \$3 million of units (the “**Units**”) of FLRish, Inc., the parent company of Harborside (“**Harborside**”) and entered into a non-binding memorandum of understanding (“**MOU**”) with Harborside to provide royalty financing to prospective “Harborside” brand dispensary operators. Each Unit is comprised of (A) one 12% unsecured convertible debenture, convertible into common shares of Harborside (i) at the option of the holder at any time prior to the last business day immediately preceding the third anniversary date of the closing; and (ii) automatically upon a Harborside going-public transaction, at a conversion price equal to the lower of (i) \$6.90; and (ii) a 10% discount to the price of the common shares of Harborside as part of a qualifying transaction; and (B) 87 common share purchase warrants exercisable for a period of two years following the closing into common shares of Harborside at an exercise price of \$8.60 (subject to acceleration in the event of a going public transaction).

Pursuant to the terms of the MOU, the Issuer has agreed to provide up to US\$10 million in royalty financing to prospective dispensary operators licensing the “Harborside” brand. Each potential dispensary financing transaction will be assessed by the Issuer on a case-by-case basis and will be subject to the satisfactory completion of due diligence by the Issuer and the consummation of definitive documentation with the prospective dispensary operator.

During the year ended July 31, 2019, Harborside completed a reverse-take over (“**RTO**”) of Lineage Grow Company. On June 10, 2019 Harborside commenced trading on the Canadian

Securities Exchange under the symbol “HBOR”. Following the completion of the RTO, the debentures and accrued interest were converted into 567,205 common shares with an estimated fair value of \$ 3,573,392. The Company recognized a realized gain on change in fair value of investments in equity investments and convertible debentures of \$865,790 for the year ended July 31, 2019.

MichiCann

MichiCann, operating as Red White & Bloom, is an investment company with a focus on the US cannabis industry. MichiCann’s current investments are the PharmaCo Debenture and its rights under the PharmaCo Put/Call Option Agreement.

On January 4, 2019, MichiCann entered into the Put-Call Option Agreement with the shareholders of PharmaCo, which if exercised and subject to regulatory approval, would result in MichiCann acquiring all the issued and outstanding shares of PharmaCo. (See General Development of MichiCann’s Business – *Agreements with PharmaCo*).

MichiCann holds an 8% senior secured convertible debenture (the “**Debenture**”) of its Michigan based investee (“**PharmaCo**”), a private company incorporated under the laws of the State of Michigan.

On February 25, 2019, Tidal issued the \$15,000,000 MichiCann Debenture. During the period ended October 31, 2019, the Issuer amended the MichiCann Debenture and advanced an additional US \$2,000,000 to fund MichiCann working capital.

On January 10, 2020, MichiCann closed the acquisition of Mid-American Growers, Inc. pursuant to an Agreement and Plan of Merger dated October 9, 2019 as amended on November 1, 2019 and January 9, 2020 by way of a merger between MichiCann’s wholly-owned subsidiary, RWB Acquisition Sub, Inc., and Mid-American Growers Inc. under the laws of Delaware to form MAG.

On January 10, 2020, MichiCann’s wholly-owned subsidiary, RWB Illinois acquired 142 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois. (For a more detailed description of these agreements, see General Development of MichiCann’s Business – *Agreements with MAG*).

About the Michigan Market:

The Cannabis market in Michigan (one of the 10 largest U.S. states by population) is in excess of US\$1.36B and has the second highest medical cannabis patient population (highest % per capita in the U.S). Recreational approvals by referendum took place in the Nov. 2018 election, with availability expected in late 2020.

Licensing:

All non-licensed dispensaries under Michigan’s prior program have been ordered to cease operations in 2019. Michigan Medical LPs will have a two-year head start for recreational cannabis sales over new license applicants (who will likely not be able to apply until January 2022). This first mover advantage is unprecedented.

Prior to the current state licensing regime there were a number of licensed operators that relied on municipal approvals to provide cannabis to medical patients. They operated under an Emergency

Access to Medical Marijuana Act. The dispensaries were supplied by “Caregivers”. The Caregivers were licensed to grow a small number of plants and could process cannabis for sale to the medical patients through dispensaries, of note, there was no lab testing of product. This act was replaced with a State based licensing regime that required more stringent approvals and lab testing of product.

Under the new State based Medical Marijuana licensing there are currently 5 types of cannabis licenses issued for Medical Marijuana in the State of Michigan:

- 1) Grow/Cultivation (equivalent to a licensed producer in Canada),
 - a. There are three classes of licenses for growers which are:
 - i) Class A – growing of up to 500 plants;
 - ii) Class B - growing up to 1,000 plants; and
 - iii) Class C - growing up to 1,500 plants. The purpose of the Class C grow licenses is to have a more efficient way for the state department of Licensing and Regulatory Affairs (LARA) to keep track of large grow operations in the state of Michigan. Large grow operators are allowed to apply and be issued multiple Class C licenses for a single location (i.e you could hold 10 Class C licenses and grow up to 15,000 plants)
- 2) Processing,
- 3) Provisioning Centers (dispensary equivalent) - which can include a delivery service license as well,
- 4) Transportation, and
- 5) Laboratory.

License holders of any of 1 through 3 above are not able to hold a license for transportation or laboratory testing.

In addition, previously operating dispensaries, that did not receive approval under the new guidelines, have been ordered to cease operations within 60 days of their being denied a State license or immediately if they have not applied; in essence requiring them to close in 2019. The Caregivers are allowed to continue until at least the end of 2019 to allow for continued supply of product but are required to pass lab testing of their product and must sell to a Licensed Grow and not directly to dispensaries.

The Recreational market was approved by referendum in November 2018 and brought into law in early 2019. It was decided by State legislators, and incorporated into law, that only existing Medical license holders under 1-5 listed above, will be allowed to apply for recreational licenses for a period of 24 months commencing on the date that recreational licenses are open for applicants.

PharmaCo has been granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan and has been awarded multiple municipal and state approvals for grower

permits (cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries). Current approvals allow for stacking of Michigan “C Licenses” providing the PharmaCo with a unique opportunity to establish itself as one of the largest licensed producer of cannabis in Michigan state.

PharmaCo:

The company employs an independent full team of experts in constructing and retrofitting of large-scale cannabis production facilities. Pharmaco’s management team shall utilize years of experience in cannabis standardization to establish themselves as the premier producer of quality cannabis strains. Michicann does not have the power to direct the relevant activities of PharmaCo and does not have any involvement in the governance or overall management of its activities.

PharmaCo has been State pre-qualified for processing licenses and has completed State and City approvals for large scale processing operations. This will allow the company to produce various oils, edibles and other cannabis derivatives. The company intends on constructing multiple extraction and processing facilities for the production of cannabis derivative products in each state that it operates in.

PharmaCo has purchased an 85,000 square foot facility to serve as one of its first large scale indoor cultivation and manufacturing centers. Initial plans for this facility will include the ability to produce in excess of 10,000,000 grams of flower per year with first harvest, post retrofitting to a perpetual harvest facility, expected in Q4 2019, and will include state of the art extraction capabilities in the same facility. PharmaCo has also purchased two smaller vertically integrated grow and manufacturing operations as part of its dispensary acquisitions as well as outdoor grow capabilities.

In all, PharmaCo controls over 600,000 square feet of grow capacity and is looking to further expand that in calendar 2019.

PharmaCo, was pre-qualified for multiple provisioning center (dispensary) licenses and has acquired and/or executed agreements to acquire a number of additional locations. In all Pharmaco is operating 11 Provisioning Centers as of May 2019 and intends to have at least 25 operating prior to yearend 2019. MichiCann plans to expand into additional states with a focus on Florida (which allows for 30 dispensaries per license), California, Arizona, Pennsylvania, Nevada and Ohio.

With 11 existing stores and a minimum of 25 locations operating by Q4 of 2019, Red White & Bloom has established itself as the largest operator of dispensaries in Michigan

Plans are underway to roll out unified corporate branding to allow for even greater efficiency and scaling outside Michigan.

About the Illinois Hemp/CBD Market:

On January 10, 2020 MichiCann completed its acquisition of MAG by way of the merger of RWB Acquisition Sub, Inc. and Mid-American Growers, Inc. pursuant to which it acquired the largest premium Hemp greenhouse in the world for the purpose of entering the CBD market. The facility, recently licensed for Hemp production, consist of a 3.6 million square foot modernized greenhouse with tens of thousands of square feet in ancillary structures to support its hemp CBD production in the State of Illinois.

Industrial hemp production in Illinois was authorized in the Industrial Hemp Act [505 ILCS 89] effective August 26, 2018 and final regulations governing Industrial Hemp licensing in Illinois were adopted on April 29, 2019. Applications for industrial hemp production licenses now being accepted and are processed on a first come, first-served basis. A maximum number of licenses has not yet been set. Industrial hemp is defined in Illinois as Cannabis sativa L. with a delta-9 THC concentration of not more than 0.3% on a dry weight basis.

In the United States, Congress and the President have signed the 2018 Farm Bill into law, which removes hemp from the Controlled Substances Act (CSA) and is now considered an agricultural product. As such, Interstate commerce is legal and being conducted and even shipment via the mail system is allowed. Additionally, banking institutions and the insurance industry can now support companies in the hemp industry.

With the US now taking a global leadership position in regulating hemp derived CBD, management believes that CBD will become increasingly accepted worldwide for uses that range from dietary aids to pet health and come in a variety of forms.

The Brightfield Group projects about 50M projected consumers in the U.S., with projected spending of \$35 to \$300 per month per customer. Overall, the Brightfield Group has forecasted a \$50B US Market by 2029.

2018 Farm Bill

In December 2018, President Trump signed the 2018 Farm Bill, which contained certain provisions legalizing the production, extraction, interstate commerce of, etc. industrial hemp. Industrial hemp is defined as hemp which contains less than 0.3% tetrahydrocannabinol (“**THC**”), the cannabinoid most commonly associated with intoxication which is contained within cannabis and hemp plants, on a dry weight basis.

This bill legalizes U.S. hemp for production and sale across state lines for research and commercial uses for all hemp that meets all the following criteria:

- the hemp contains less than 0.3% THC;
- the producer of the hemp is licensed by the state where it was grown; and
- the state where it was grown has a hemp program approved by the USDA.

Each state is allowed to submit a hemp regulatory program for USDA approval. The USDA will be working on reviewing submitted programs and constructing a hemp regulatory program for all states with no submitted program. No programs are currently approved by the USDA. Once a program is approved, producers may apply for licenses under the program and sell hemp legally for all purposes after the license is obtained. Hemp is a genetically related plant to cannabis and has long been prohibited based at least in part on its similarity to cannabis, which tends to contain significantly higher amounts of THC than hemp. Hemp, unlike cannabis plants which tend to be richer in THC, is the most common source of cannabidiol (“**CBD**”). Research suggests that CBD is a non-psychoactive cannabinoid which may have several therapeutic effects. CBD is increasingly becoming popular as a wellness product, and its usage as an adjunct to THC is increasing as well. Management believes hemp legalization is positive for a number of reasons: (1) CBD source

material will likely become cheaper, leading to lower cost basis in certain CBD infused products; and (2) hemp legalization suggests liberalizing legislator and executive attitudes towards cannabis.

Resulting Issuer

(i) Organization

The Resulting Issuer is an Investment Company active in the U.S. legal cannabis and hemp sector.

(ii) Business Objectives

It is anticipated that the Company will predominately focus its investments, with the strength of its world-class team, on the major markets in the United States, including Michigan, Illinois, California, Massachusetts and Florida in respect to cannabis and the entire US for legal hemp CBD based products.

See item 4.1 above for a description of the Resulting Issuer's business and objectives.

Short-term Objectives.

The principal milestones that must occur during the next 12-month period for the business objectives described above to be accomplished are:

- Complete the transaction to acquire and/or invest in the Illinois operations
- Complete a financing for the company
- Enter into an agreement for the acquisition/investment of a Florida license
- Close on a number of existing asset purchase agreements to further strengthen its leadership position on Michigan
- Launch a series of branded products based on proprietary genetics and/or formulations

Long-term Objectives.

RWB's long term objectives are to continue to expand on its portfolio and extend additional financing in hopes of establishing significantly scaled operations in each state in the United States that it operates within. Establishing critical mass will allow the company to benefit from operational efficiencies only afforded to companies that are able to operate at scale.

RWB's investments expect to utilize its initial established retail presence as well as its access to broader distribution channels to establish a number of consumer brands in the cannabis, derivative and CBD markets. The company's experience in standardization of cannabis and derivatives provides a significant competitive advantage to allow for the company to ultimately serve a global market.

RWB through its subsidiaries and investments is targeting a national US expansion and is aiming to achieve a retail presence of 100+ locations by year end of 2020 and plans for a minimum of 6 million square feet of cultivation across the United States. Management believes that Red White & Bloom Brands Inc. has the potential to be the largest national player by revenue in the U.S.

Total Funds

Total Funds Available

The pro forma working capital position of the Resulting Issuer as at April 24, 2020, giving effect to the Transaction as if it had been completed on that date, was approximately \$60,683,774.

As at January 31, 2020 (the end of the Issuer’s most recent interim period for which financial statements have been published), the Issuer had working capital of \$17,394,782. The Resulting Issuer expects to have positive cash flow from the sale of certain investments or equity financing to fund its ongoing operations in its existing markets.

The consolidated pro forma balance sheet of the Resulting Issuer, which gives effect to the Transaction as if it had been completed on January 31, 2020, is attached hereto as Appendix “I”.

Purpose of Funds

The Resulting Issuer intends to spend its available funds on further investments into the US legal cannabis marketplace and for general corporate purposes. The estimated use of funds is set forth below.

Use of Available Funds	\$
Working capital on hand as at April 24, 2020	60,683,774
Funds to complete investment/acquisition targets	22,103,000
Funds for capital expenditure advances to targets (dispensaries, manufacturing, branded products and hemp)	5,004,883 4,813,720
General working capital	4,316,040
Unallocated working capital	16,237,643
Total use of available Funds	<u>60,683,774</u>

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the next 12 months.

4.2 Market Information, Trends, Commitments, Events and Uncertainties

State Legislative Trends

While currently a controlled substance under the Federal CSA, cannabis is legalized and regulated by various states. As of the date of this listing statement, 30 states and Washington, DC have

legalized medical cannabis. Nine states and Washington, DC have legalized adult recreational cannabis use. The trend across the United States has been to legalize cannabis for medicinal purposes in most cases, and recreational use in some cases.

During the November 8, 2016 election California, Maine, Massachusetts, and Nevada voted to legalize adult-use cannabis and Arkansas, Florida, Montana, and North Dakota voted to legalize medical cannabis. In June 2018 Oklahoma legalized medical cannabis. In November 2018, Utah and Missouri will vote on the legalization of medical cannabis, while Michigan and North Dakota will vote on legalizing cannabis for recreational use.

State Regulatory Infrastructure

Development of state programs for the regulation of medical or adult-use cannabis is state-specific. Following the approval of medical or adult-use cannabis, some states have developed the regulatory infrastructure quickly, while other states have taken several years to develop such systems. State-specific advisory boards and committees have been created with the mandate to manage the implementation of the new industries.

According to Marijuana Business Daily, the average amount of time that elapsed between the legalization of medical cannabis sales and the opening of the first dispensaries in six states that recently commenced sales was 28 months. Also, according to Marijuana Business Daily, there are signs that the industry is maturing, and states are increasingly able to efficiently and quickly establish regulatory frameworks following legalization, especially where adult-use cannabis is legalized in states where regulated medical-use cannabis systems are already in place. For example, according to Marijuana Business Daily, the average amount of time that elapsed between voters approving adult-use cannabis production and sales to the opening of the first retail stores in Colorado, Washington and Oregon was 15 months.

Pennsylvania and Ohio offer two contrasting instances of the implementation of state regulatory infrastructure having both committed to a two-year implementation timeframe at the time of legalization. The launch of Pennsylvania's medical program has largely been on-time. Successfully opened medical dispensaries within the two-year target, the state is now working to bolster the supply chain by issuing more licenses. Ohio on the other hand missed their deadline of September 8th, 2018 to have implemented a fully operational supply chain. Despite the longer than expected rollout, Ohio continues to move ahead evaluating and issuing licenses.

Even where regulatory frameworks for cannabis production and sales are in place, states tend to revise these rules over time. These revisions often impact sales, making it difficult to predict the potential of new markets. States may, for example, restrict the number of cannabis businesses permitted which can limit growth of the cannabis industry in those states. Alternatively, states may relax their initial regulations relating to cannabis production and sales, which would likely accelerate growth of the cannabis industry in such states. A common adjustment to medical programs is the addition of qualifying medical conditions. Several states including Michigan, New York, Connecticut, and Arizona have added new qualifying conditions following initial legislature. Common among those new qualifying conditions are opioid replacement and chronic and severe or intractable pain. These conditions affect a wide group of people and are catalysts for medical cannabis adoption.

Effects of Government Regulations

In the U.S., cannabis is largely regulated at the state level. To the Company's knowledge and as of the date of this Listing Statement, 30 states and Washington, DC have legalized medical cannabis, while nine states and Washington, DC have legalized recreational cannabis use. Notwithstanding the permissive regulatory environment of medical or recreational cannabis at the state level in certain states, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such violates federal law in the U.S. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of a memorandum (the "**Cole Memorandum**"), acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes, in January 2018.

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("**DOJ**") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**") The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their

commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum “returns trust and local control to federal prosecutors” to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would “evaluate violations of those laws in accordance with our district’s federal law enforcement priorities and resources.”

The Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625—a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (“**Leahy Amendment**”). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 fiscal year (the “**Continuing Resolution**”). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 fiscal year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 fiscal year appropriations bills, with the expectation that the language will be enacted in the final 2019 fiscal year appropriations bill. However, it should be noted that there is no assurance that the final 2019 fiscal year appropriations bill will include appropriations protecting the medical cannabis industry.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher Blumenauer Appropriations Amendment in the 2019 fiscal year appropriations bill, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state’s recreational cannabis laws.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that

will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's financing of such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold a financing, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, the USA PATRIOT Act, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Treasury Department's Financial Crimes Enforcement Network ("**FinCEN**") issued guidance on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in the 2014 Cole Memo issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA on the same day. The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN

Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

Proceeds of the Company's financings may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Public Opinion

The increase in state legalization of cannabis use is largely a result of changing public opinion in the United States. According to an October 2017 poll conducted by Gallup, 64% of Americans think that the use of cannabis should be made legal, the highest level in the 48 years that Gallup has conducted the poll. Further, in the 2016 Gallup poll, support among adults aged 18 to 34 increased from 35% to 77% between 2005 and 2016 and support among adults aged 35 to 54 increased from 35% to 61% over the same period. In addition, according to a recent Quinnipiac University Poll, 94% of U.S. voters support the medical use of cannabis if recommended by a physician.

Industry Outlook

Due to increases in state legalization and shifting public opinion, legal cannabis industry sales have grown substantially in recent years. According to ArcView Market Research (ArcView), 2018 legal cannabis sales are expected between \$8.5 billion to \$11 billion. Furthermore, sales are projected to reach \$23.4 billion by 2022, which is over a 22% compound annual growth rate for the four years from 2018 to 2022.

ArcView expects the distribution of industry sales between medical and adult-use to shift substantially between 2017 and 2022 as more states legalize adult-use cannabis. Adult-use sales were approximately \$2.6 billion, equating to over 30% of total industry sales. By 2022, adult-use sales are expected to increase to \$15.7 billion or 67% of total industry sales.

Competitive Conditions and Environment

As an Investment Company the Resulting Issuer is well positioned to participate in the rapid evolution of the cannabis industry through its ability to finance many segments of the industry. The Resulting Issuer plans to be heavily diversified in the various industry assets, providing it with the adaptability required to thrive in this dynamic and fast-changing industry.

Within the short period of legal adult use, these increasing cannabis sales and further steps toward industry regulation and legalization have prompted a push toward increasingly bigger waves of investment and innovation in the cannabis industry. There is also a strong opportunity for products, brands, research, and related services that will complement the cannabis market. The Resulting Issuer seeks to leverage its operational expertise, industry knowledge, and diverse assets to capitalize on the so-called “green-rush” in a regulated marijuana industry. Medical marijuana opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical marijuana systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

Despite the fast growing market for legalized cannabis in both Canada and the U.S., there remains a significant lack of traditional sources of bank lending or venture and private equity capital, as well as an absence of traditional management expertise and advisory services. This is primarily because of the regulatory and legal challenges that cannabis continues to pose in both Canada and the United States. In addition to the problems posed by scarcity of capital, many holders of cannabis licenses lack traditional business experience and skills and desire value added capital that can add to the skill and experience of their management team. The Resulting Issuer is looking to fill this market gap by providing both capital and operational expertise.

4.3 Outstanding Asset-based Securities

This information is not applicable to the Issuer.

4.4 Mineral Projects

This information is not applicable to the Issuer.

4.5 Oil and Gas Operations

This information is not applicable to the Issuer.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

Issuer

The following table sets forth selected financial information for the Issuer for the six months ended January 31, 2020 and the three most recently completed financial years ended July 31, 2019 (“**fiscal 2019**”), July 31, 2018 (“**fiscal 2018**”) and July 31, 2017 (“**fiscal 2017**”). The financial information below has been prepared in accordance with IFRS.

For the year (period) ended (Expressed in Canadian dollars)	January 31, 2020 (unaudited)	July 31, 2019 (audited)	July 31, 2018 (audited)	July 31, 2017 (audited)
Revenue	Nil	Nil	Nil	nil
Total expenses	\$1,026,346	\$18,612,517	\$7,825,089	\$32,424
Net loss	\$788,090	\$18,612,517	\$7,825,089	\$32,424
Basic and diluted loss per share	\$0.00	\$0.07	\$0.26	\$0.01
Total assets	\$24,404,335	\$24,191,661	\$34,566,033	\$22,334
Total liabilities	\$601,502	\$357,887	\$340,042	\$157,991
Working Capital (deficit)	\$23,802,833	\$23,833,774	34,225,991	(\$135,657)
Shareholders' equity (deficiency)	\$23,802,833	\$23,833,774	34,225,991	(\$135,657)
Dividends	Nil	Nil	Nil	nil
Number of Common Shares outstanding	304,572,662	292,607,662	227,787,662	2,843,636

Issuer's Management Discussion and Analysis

The Issuer's Management's Discussion and Analysis for the six months ended January 31, 2020 and for fiscal 2019, 2018 and 2017 are attached as Appendix "B" and "D" respectively and should be read in conjunction with the financial statements of the Issuer for the same period, and the notes thereto.

Certain information included in the Issuer's Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Caution Regarding Forward-Looking Statements*" for further details.

MichiCann

The following table sets forth selected financial information for MichiCann for the most recently completed year's ended December 31, 2019, December 31, 2018 and December 31, 2017. The financial information below has been prepared in accordance with IFRS.

For the year (period) ended (Expressed in Canadian dollars)	December 31, 2019 (audited)	December 31, 2018 (audited)	December 31, 2017 (audited)
Revenue	-	-	-
Total expenses	12,519,900	2,131,039	32,686
Net loss	12,519,900	2,131,039	32,686
Basic and diluted loss per share	0.16	0.06	32,686
Total assets	107,979,469	34,937,686	624,638
Total liabilities	55,542,045	161,937	32,686

Working Capital (deficit)	(16,071,433)	34,775,749	38,265
Shareholders' equity (deficiency)	52,437,424	(2,163,725)	(32,686)
Dividends	-	-	-
Number of Shares outstanding	84,211,752	74,222,182	1

MichiCann's Management Discussion and Analysis

MichiCann Management's Discussion and Analysis for year ended December 31, 2019 is attached as Appendix "H" and the fiscal 2018 is attached as Appendix "F" and should be read in conjunction with the financial statements of MichiCann for the same period, and the notes thereto.

Certain information included in MichiCann's Management's Discussion and Analysis is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Caution Regarding Forward-Looking Statements*" for further details.

5.2 Quarterly Information

Issuer

The following tables reflect the summary of quarterly results for the Issuer:

Three Months Ended	Revenue	Net Loss	Loss per Share
January 31, 2020	Nil	233,120	(0.00)
October 31, 2019	Nil	528,201	(0.00)
July 31, 2019	Nil	18,611,721	(0.07)
April 30, 2019	Nil	5,739,365	(0.04)
January 31, 2019	Nil	1,547,604	(0.01)
October 31, 2018	Nil	3,853,748	(0.02)
July 31, 2018	Nil	6,807,138	(0.06)
April 30, 2018	Nil	742,747	(0.26)
January 31, 2018	Nil	219,127	(0.08)
October 31, 2017	Nil	56,077	(0.02)
July 31, 2017	Nil	24,854	(0.00)
April 30, 2017	Nil	5,390	(0.00)

MichiCann

Since inception, MichiCann has not prepared quarterly interim financial statements prior to the financial statements for the year ended December 31, 2019. See “5.1 Annual Information”.

5.3 Dividends

Neither the Issuer nor MichiCann have paid dividends in the past. The Resulting Issuer does not intend, and is not required, to pay any dividends on the Resulting Issuer Shares. Any decision to pay dividends will be made on the basis of the Issuer’s earnings, financial requirements and other conditions existing at the time. Holders of Series II Preferred Shares shall be entitled to receive, and the Resulting Issuer shall pay thereon, a fixed dividend equal to 5.0% per annum, calculated monthly and payable in Series II Preferred Shares. Upon conversion of Series II Preferred Shares, the dividend shall be calculated pro rata as at the most recently completed month prior to the conversion date. Holders of Series II Preferred Shares shall be entitled to receive such dividends paid and distributions made to the holders of the Common Shares to the same extent as if such Holders had converted each Series II Preferred Share held by them into Common Shares and had held such Common Shares on the record date for such dividends and distributions. See “17. RISK FACTORS”.

5.2 Foreign GAAP

The financial statements included in this Listing Statements for the Issuer and MichiCann have been, and the future financial statements of the Resulting Issuer shall be, prepared in accordance with IFRS.

6. MANAGEMENT’S DISCUSSION AND ANALYSIS

Issuer

Please refer to Appendix “B” for the Issuer’s MD&A for the most recently completed fiscal year ended July 31, 2019; and to Appendix “D” for the six months ended January 31, 2020.

MichiCann

Please refer to Appendix “F” for MichiCann’s MD&A for the most recently completed fiscal year ended December 31, 2018; and to Appendix “H” for the year ended December 31, 2019.

7. MARKET FOR SECURITIES

On June 25, 2018, the Issuer’s Shares were approved for listing on the CSE under the trading symbol “RLTY”. On June 29, 2018, on request from the Issuer, the Issuer’s Shares began trading in U.S. funds instead of Canadian funds under the new symbol, “**RLTY.U**”

None of MichiCann’s securities are listed or posted for trading on any stock exchange or quotation system.

The Resulting Issuer intends to be traded on the CSE under the symbol “**RWB.U**”.

8. CONSOLIDATED CAPITALIZATION

The following table sets forth (i) the Issuer’s capitalization as at April 24, 2020 immediately prior to the Transaction; (ii) the consolidated capitalization of MichiCann as at April 24, 2020 immediately prior to the Transaction; and (iii) the Resulting Issuer’s pro forma consolidated capitalization as of the date of the Listing Statement. The table should be read in conjunction with the financial statements of the Corporation and MichiCann, and the notes thereto, included elsewhere in this Listing Statement. Immediately prior to the completion of the Transaction, Tidal will complete a share consolidation on a 16:1 basis.

All of the issued and outstanding common shares of MichiCann will be exchanged on the following basis: One (1) common share of Tidal and one (1) Tidal Series II Preferred Share for each one (1) MichiCann common share, subject to adjustment in certain circumstances as set out in the Business Combination Agreement.

Designation of Security	Issuer immediately prior to the Transaction	MichiCann immediately prior to the Transaction	Resulting Issuer as of the date of the Listing Statement
Common Shares	375,431,661	84,211,753	132,807,686
Preferred Shares	50,900,000	n/a	3,181,250
Series II Preferred Shares	Nil	n/a	108,726,349
Warrants to purchase Common Shares	18,987,365	595,340	919,238
Warrants to purchase Series II Preferred Shares	Nil	595,340	595,340
Stock Options to purchase Common Shares	28,785,766	7,801,429	9,200,539
Stock Options to purchase Series II Preferred Shares	Nil	7,801,429	7,401,429
Total	474,104,792	185,212,573	262,831,831

9. OPTIONS TO PURCHASE SECURITIES

9.1 Stock Option Plan

The Issuer has in place a 10% rolling stock option plan (the “**Option Plan**”) dated July 15, 2017, amended and restated as of December 6, 2018, as approved by shareholders of the Issuer at its annual general and special meeting held on December 6, 2018. In connection with the Transaction, the Option Plan was assumed by the Resulting Issuer.

The following information is intended to be a brief summary of the Option Plan:

- The maximum number of Resulting Issuer Shares with respect to which options may be granted pursuant to the Option Plan shall not exceed 10% of the issued and outstanding Resulting Issuer Shares on a non-diluted basis at any time;
- Options may be granted only to directors, officers, employees and consultants of the Issuer or any related entity of the Issuer;
- The total number of the Resulting Issuer Shares that may be reserved for issuance to any one individual under the Option Plan shall not exceed 5% of the outstanding Resulting Issuer Shares. The maximum number of options that may be granted to any one consultant under the Option Plan, or employees performing investor relations activities for the Issuer, within any 12-month period shall not exceed 2% of the issued and outstanding Resulting Issuer Shares at the time of the grant;
- The term of an option shall not exceed ten years from the date of the grant of the option;
- Subject to allowable adjustments, the option price of any option shall not be lower than the market price on the date on which the grant of the option is approved by the Resulting Issuer Board;
- An option shall be personal to the optionee and shall be non-assignable and non-transferable (whether by operation of law or otherwise);
- In the event that any optionee ceases to be an eligible person under the Option Plan (i.e. ceases to be an officer, director, employee or consultant for any reason other than death or termination with cause), the optionee will be entitled to exercise his or her options which have vested as of such date of cessation only within a period of 30 days following the date of such cessation or such other date as may be determined by the Resulting Issuer Board, but in no event may any options be exercised following the expiry date thereof. In the event an optionee is terminated with cause, the options held by such optionee will expire on the date of such termination. In the event of the death of an optionee, any options held by such optionee which have vested as of the date of death may be exercised within a period of one year following the optionee’s death;
- The Resulting Issuer Board may at any time amend the Option Plan or any options granted thereunder, subject to the receipt of all applicable regulatory approvals, other than substantive amendments to the Option Plan, which also require shareholder approval; and

- In the event that an offer to purchase or repurchase the Resulting Issuer Shares or any part thereof shall be made to all or substantially all holders of the Resulting Issuer Shares, the options shall be automatically and immediately accelerated such that all remaining options will then be available for exercise.

The following table summarizes the options outstanding under the Resulting Issuer's Option Plan as at June 1, 2020.

Group	No. of Options	Securities under Option	Grant Date	Expiry Date	Exercise per Common Share
Consultants	441,483 ⁽¹⁾	441,483	June 22, 2018	June 22, 2023	\$5.28
Management	26,562 ⁽¹⁾	26,562	June 22, 2018	June 22, 2023	\$5.28
Consultants	6,250 ⁽¹⁾	6,250	Sept. 14, 2018	Sept. 12, 2020	\$3.84 USD
Consultants	32,500 ⁽¹⁾	32,500	Dec. 12, 2018	Dec 12, 2023	\$1.84 USD
Management	12,500 ⁽¹⁾	12,500	Dec. 12, 2018	Dec 12, 2023	\$1.84 USD
Consultants	1,212,628 ⁽¹⁾	1,212,628	Apr 26, 2019	Apr 26, 2024	\$5.44
Management	67,187 ⁽¹⁾	67,187	Apr 26, 2019	Apr 26, 2024	\$5.44
Management	1,000,000 ⁽²⁾	1,000,000	October 1, 2018	October 1, 2023	\$0.50
Management	350,000 ⁽²⁾	350,000	May 13, 2019	May 13, 2024	\$1.00
Consultants	3,500,000 ⁽²⁾	3,500,000	October 1, 2018	October 1, 2023	\$0.50
Consultants	500,000 ⁽²⁾	500,000	January 15, 2019	January 15, 2024	\$1.00
Consultants	600,000 ⁽²⁾	600,000	January 15, 2019	January 15, 2024	\$2.50
Consultants	400,000 ⁽²⁾	400,000	February 4, 2019	February 4, 2024	\$1.00
Consultants	12,500 ⁽²⁾	12,500	April 15, 2019	April 15, 2024	\$1.00
Consultants	500,000 ⁽²⁾	500,000	April 29, 2019	April 29, 2024	\$1.00
Consultants	30,000 ⁽²⁾	30,000	May 21, 2019	May 21, 2024	\$1.00
Consultants	12,500 ⁽²⁾	12,500	July 17, 2019	July 17 2024	\$1.00
Consultants	100,000 ⁽²⁾	100,000	November 13, 2019	November 13, 2024	\$1.00
Consultants	25,000 ⁽²⁾	25,000	November 22, 2019	November 22, 2024	\$1.00

Consultants	371,429 ⁽²⁾	371,429	January 11, 2020	January 11, 2025	\$1.00
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(1) Exercisable to purchase Resulting Issuer Shares.

(2) Exercisable to purchase Resulting Issuer Shares and Series II Preferred Shares.

10. DESCRIPTION OF THE SECURITIES

10.1– 10.5 General

The Resulting Issuer’s authorized share capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares without par value.

As at the date of this Listing Statement the following securities are issued and outstanding:

- a. **132,807,686** Resulting Issuer Shares,
- b. **3,181,250** Preferred Shares;
- c. **108,726,349** Series II Preferred Shares;
- d. **919,238** Warrants to purchase Resulting Issuer Shares;
- e. **595,340** Warrants to purchase Series II Preferred Shares;
- f. **9,200,539** Options to purchase Resulting Issuer Shares; and
- g. **7,401,429** Options to purchase Series II Preferred Shares.

Common Shares

The holders of Resulting Issuer Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Resulting Issuer and each Resulting Issuer confers the right to one vote in person or by proxy at all meetings of the shareholders of the Resulting Issuer. The holders of the Resulting Issuer Shares are entitled to receive such dividends in any financial year as the Resulting Issuer’s Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, the holders of the Resulting Issuer Shares are entitled to receive the remaining property and assets of the Resulting Issuer, subject to the priority rights of the Preferred Shareholders. The Resulting Issuer Shares do not carry any pre-emptive rights, conversion or exchange rights, or redemption, retraction, purchase for cancellation or surrender rights. The Articles of the Resulting Issuer do not have any sinking or purchase fund provisions and do not have provisions permitting or restricting the issuance of additional securities and any other material restrictions. The Articles of the Resulting Issuer also do not have any provisions requiring a securityholder to contribute additional capital.

Preferred Shares

The Resulting Issuer is authorized to issue an unlimited number of Preferred Shares without par value. Preferred Shares may be issued in one or more series and will be subject to such rights and restrictions as the Resulting Issuer Board may determine.

As at the date of this Listing Statement, the Resulting Issuer has **3,181,250** non-voting, convertible Series 1 Preferred Shares issued and outstanding. The terms of the Series 1 Convertible Preferred Shares provide, among other things, that they: (i) are non-voting; (ii) are convertible into common

shares of the Resulting Issuer on a one for one basis, subject to customary adjustments; (iii) are eligible to participate in dividends if and when declared on the Common Shares; (iv) have priority rights on liquidation; and (v) are subject to a restriction that no holder of the Preferred Shares may convert into a number of Resulting Issuer Shares that would result in such holder beneficially owning greater than 9.99% of the Resulting Issuer Shares.

The holders of the Preferred Shares have entered into a voluntary lock up arrangement (the “**Lock-Up Agreement**”) whereby they have contractually agreed not to transfer, sell, dispose of, or monetize any Resulting Issuer Shares received upon the conversion of its Preferred Shares or Preferred Share warrants for a period of 6, 9, and 12 months after the closing date (the “**Lock-Up Period**”). From 6 months and 1 day after the closing date, the holders of Preferred Shares may transfer, sell, dispose of, or monetize up to 33.33% of the Resulting Issuer Shares such holder owns (upon conversion of the Preferred Shares and/or Preferred Share warrants); from 9 months and 1 day after the closing date, the holder of Preferred Shares may transfer, sell, dispose of, or monetize up to 66.66% of the Resulting Issuer Shares such holder owns; and, from 12 months and 1 day after the closing date, the holder of Preferred Shares may freely transfer, sell, dispose of, or monetize any and all Resulting Issuer Shares then held.

Series II Preferred Shares

The Resulting Issuer is authorized to issue an unlimited number of Series II Preferred Shares without par value. Each Series II Preferred Share shall be convertible into validly issued, fully paid and non-assessable Common Shares on the following terms and conditions:

(a) Holder’s Conversion Right. At any time or times on or after the seven month anniversary of the initial issuance date and before the two year anniversary of the initial issuance date, each holder of a Series II Preferred Share shall be entitled to convert any whole number of Series II Preferred Shares, including any Series II Preferred Shares accrued from dividends issued hereunder, into validly issued, fully paid and non-assessable Common Shares in accordance with Section (c) at the Conversion Rate (as defined below). Any Series II Preferred Shares outstanding on the two year anniversary of the initial issuance date, including any Series II Preferred Shares accrued from dividends, shall automatically convert into fully paid and non-assessable Common Shares at such time and without requiring any further action by the Holder.

(b) Conversion Rate. The number of validly issued, fully paid and non-assessable Common Shares issuable upon conversion of each Series II Preferred Share pursuant to Section (a) shall initially be set at 1:1 (the “**Conversion Rate**”), subject to adjustment as provided herein. No fractional Common Shares are to be issued upon the conversion of any Series II Preferred Shares. If the issuance would result in the issuance of a fraction of a Common Share, the Company shall round such fraction of a Common Share down to the nearest whole Common Share.

(c) Mechanics of Conversion. The conversion of each Series II Preferred Share shall be conducted in the following manner:

(i) Holder’s Conversion. To convert a Series II Preferred Share into validly issued, fully paid and non-assessable Common Shares on any Business Day after the seven month anniversary of the initial issuance date and prior to the two year anniversary of the

initial issuance date (a “**Conversion Date**”), the Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 11:59 p.m., Vancouver time, on such date, a copy of an executed notice of conversion (the “**Conversion Notice**”) of the Series II Preferred Shares subject to such conversion to the Company.

- (A) A Holder of Certificated Series II Preferred Shares shall, within five (5) Business Days following a Conversion Notice of any such Series II Preferred Shares as aforesaid, surrender to a nationally recognized overnight delivery service for delivery to the Company the original certificates representing the Series II Preferred Shares so converted as aforesaid.
 - (B) A Holder of Uncertificated Series II Preferred Shares evidenced by a direct registration statement shall be deemed to have surrendered any such Series II Preferred Shares upon receipt by the Company of the Conversion Notice.
 - (C) A Holder of Uncertificated Series II Preferred Shares evidenced by a security entitlement in respect of such Series II Preferred Shares in the book entry registration system who desires to convert Series II Preferred Shares must do so by causing a Book Entry Participant to deliver to the Depository the Conversion Notice on behalf of the Holder. Forthwith upon receipt by the Depository, the Depository shall deliver to the Transfer Agent confirmation of its intention to convert Series II Preferred Shares in a manner acceptable to the Transfer Agent, including by electronic means through a book based registration system, including CDSX. By causing a Book Entry Participant to deliver a Conversion Notice to the Depository, a Holder shall be deemed to have irrevocably surrendered his or her Series II Preferred Shares so converted and appointed such Book Entry Participant to act as his or her exclusive settlement agent with respect to the conversion of the Series OO Preferred Shares and the receipt of Common Shares in connection with the obligations arising from such conversion. Any Conversion Notice which the Depository determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no force and effect and the conversion to which it relates shall be considered for all purposes not to have been converted thereby. A failure by a Book Entry Participant to convert or to give effect to the settlement thereof in accordance with the Holder’s instructions will not give rise to any obligations or liability on the part of the Company or Transfer Agent to the Book Entry Participant or the Holder.
- (ii) Company’s Response. On or before the fifth (5th) Business Day following the date of receipt by the Company of the original certificates representing the Series II Preferred Shares subject to the Conversion Notice (in the case of Certificated Series II Preferred Shares) or a duly completed Conversion Notice (in the case of Uncertificated Series II Preferred Shares), the Company shall issue and deliver, or cause to be issued and delivered (via reputable overnight courier, as applicable) as specified in such Conversion Notice, a certificate, direct registration statement or electronic deposit, registered in the name of such Holder or its designee, for the number of Common Shares to which such Holder shall be entitled. In the case of Certificated Series II Preferred Shares, if the number of Series II Preferred Shares represented by the Series II

Preferred Share certificate(s) submitted for conversion pursuant to this Section (c) is greater than the number of Series II Preferred Shares being converted, then the Company shall issue and deliver to such Holder (or its designee) a new Series II Preferred Share certificate representing the number of Series II Preferred Shares not converted.

(iii) Record Holder. The Person or Persons entitled to receive the Common Shares issuable upon a conversion of Series II Preferred Shares shall be treated for all purposes as the record holder or holders of such Common Shares on the Conversion Date.

(iv) Withholding Tax. The Company will be entitled to deduct and withhold from any conversion of Series II Preferred Shares, and to otherwise recover from the Holder the full amount of taxes or other additional amounts required to be deducted or withheld by the Company under applicable laws.

Voting Rights: Holders of Series II Preferred Shares shall have voting rights and are entitled to vote on a matter with holders of Common Shares (and Preferred Shares if required by law or otherwise entitled to vote with the holders of Common Shares), voting together as one class. Each Series II Preferred Share shall entitle the holder thereof to cast that number of votes per share as is equal to the number of Common Shares into which it is then convertible using the record date for determining the shareholders of the Company eligible to vote on such matters as the date as of which the Conversion Rate is calculated. Holders of the Series II Preferred Shares shall be entitled to written notice of all shareholder meetings or written consents (and copies of proxy materials and other information sent to shareholders), which notice shall be provided pursuant to the Company's bylaws and applicable law.

Dividends: Holders of Series II Preferred Shares shall be entitled to receive, and the Company shall pay thereon, a fixed dividend equal to 5.0% per annum, calculated monthly and payable in Series II Preferred Shares. Upon conversion of Series II Preferred Shares, the dividend shall be calculated pro rata as at the most recently completed month prior to the Conversion Date. Holders of Series II Preferred Shares shall be entitled to receive such dividends paid and distributions made to the holders of the Common Shares to the same extent as if such Holders had converted each Series II Preferred Share held by them into Common Shares and had held such Common Shares on the record date for such dividends and distributions. Payment under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Shares. The Company will be entitled to deduct and withhold from any dividends paid in respect of Series II Preferred Shares, and to otherwise recover from the Holder the full amount of taxes or other additional amounts required to be deducted or withheld by the Company under applicable laws.

Warrants

As at the date hereof, there are Warrants issued and outstanding in the capital of the Resulting Issuer as follows:

Common share purchase Warrants:

<u>Date of Issuance</u>	<u>Number of Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
December 19, 2018	595,340 ⁽²⁾	\$1.00	December 19, 2020

Finder Warrants:

<u>Date of Issuance</u>	<u>Number of Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
June 12, 2018	323,898 ⁽¹⁾	\$5.28	June 11, 2020

(1) Exercisable to purchase Resulting Issuer Shares.

(2) Exercisable to purchase Resulting Issuer Shares and Series II Preferred Shares.

10.6 Miscellaneous Securities Provisions

Only the Resulting Issuer's outstanding common shares will be listed on the CSE.

The rights of Shareholders may be modified only in accordance with the provisions attached thereto in the Issuer's Articles or the provisions of the *BC Business Corporations Act*.

While non-voting unless required by law, the convertible Preferred Shares are ranked senior to the Resulting Issuer's Shares with respect as to the first preference as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Resulting Issuer. The Preferred Shares, in the event of dividends or distributions, shall be entitled to receive on an equal basis as those of the Resulting Issuer Shares as if they had been converted to Resulting Issuer Shares.

10.7 Prior Sales

Issuer

The following table summarizes the prices at which securities of the Issuer have been sold within the 12 months before the date of this Listing Statement:

Issue Date	Class of Security	Number of Securities	Price
March 1, 2018	Special Warrants ⁽¹⁾	3,570,000	\$0.80
March 1, 2018	Finder Special Warrants ⁽²⁾	330,750	n/a
April 30, 2018	Special Warrants ⁽¹⁾	793,125	\$0.80
April 30, 2018	Finder Special Warrants ⁽²⁾	76,250	n/a
May 25, 2018	Preferred Share Unit ⁽³⁾	2,500,000	\$0.80
May 25, 2018	Finder Special Warrants	250,000	n/a
June 8, 2018	Common Shares	5,897,189	\$5.28
June 8, 2018	Finder Warrants ⁽⁴⁾	323,898	n/a

1. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Issuer, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.80 for a period of 24 months.

2. Each finder special warrant entitled the holder to receive, without payment of any additional consideration or need for further

action, one unit of the Issuer, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.80 for a period of 24 months.

3. Each preferred share unit consists of one Preferred share (a “Preferred Share”) and one preferred share purchase warrant; each warrant is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.80 for a period of 24 months following the issuance date. The Preferred Shares are subject to the restriction that no holder of the Preferred Shares may convert into a number of Shares that would result in such holder beneficially owning greater than 9.99% of the Shares; and further subject at all times to the Lock-Up Agreement. See Item 10, “Preferred Shares”.
4. Each finder warrant entitles the holder to acquire one additional common share at a price of \$5.28 for a period of 24 months.

MichiCann

The following table summarizes the prices at which securities of MichiCann have been sold within the 12 months before the date of this Listing Statement:

Issue Date	Class of Security	Number of Securities	Price
December 18, 2018	Common Shares	30,068,182	\$1.00
February 22, 2019	Common Shares	4,500,000	\$1.00
February 22, 2019	Common Shares	2,240,000	\$2.50
September 30, 2019	Common Shares	1,168,100	\$5.00
October 9, 2019	Common Shares	840,000	\$5.00
October 23, 2019	Common Shares	1,200,000	\$5.00
December 18, 2019	Common Shares	27,000	\$5.00
February 25, 2019	MichiCann Debenture	1	\$15,000,000
October 20, 2019	MichiCann Debenture	1	\$2,000,000 USD
March 12, 2020	MichiCann Debenture	1	\$500,000 USD

10.8 Stock Exchange Price

The Tidal Shares are currently listed on the CSE under the trading symbol “RLTY.U”. The table below sets forth the high and low trading prices and volume for the Tidal Shares traded through the CSE on a monthly basis from the date trading commenced on the CSE on June 25, 2018 to the date of this Listing Statement.

	Price Range and Trading Volume		
	High (\$)	Low (\$)	Volume
March 2019 to Present ⁽¹⁾	N/A	N/A	N/A
February 2019 ⁽¹⁾	US \$4.88	US \$4.88	1,247,531
January 2019	US \$3.36	US \$3.36	2,495,570
December 2018	US \$2.40	US \$2.40	1,414,870
November 2018	US \$3.52	US \$3.52	1,410,386
October 2018	US \$4.16	US \$4.16	2,260,206
September 2018	US \$7.60	US \$7.60	1,374,213
August 2018	US \$11.20	US \$11.20	992,377
July 2018	US \$11.84	US \$11.84	999,046
June 29, 2018 ⁽²⁾	US \$12.32	US \$12.32	131,196
June 25-28, 2018 ⁽²⁾	CA\$13.28	CA\$9.44	609,855

Notes:

- (1) The Tidal Shares were halted on February 11, 2019 in connection with the Transaction.
(2) On June 29, 2018, the Tidal Shares began trading in U.S. funds instead of Canadian funds.

11. ESCROWED SECURITIES

The following table summarizes the Resulting Issuer Shares subject to escrow as of the date of this Listing Statement:

Designation of class held in escrow	Number of securities held in escrow	Percentage of class
Common shares	<u>19,480,222</u>	<u>14.67%</u>

The Common shares will be released in three equal tranches as follows: 1/3 on the date that is six (6) months following Closing, 1/3 on the date that is twelve (12) months following Closing and 1/3 on the date that is eighteen (18) months following the Closing.

Further to NI 46-201 section 3.2, the Resulting Issuer qualifies to be an exempt issuer due to its value that was established in recent financings.

12. PRINCIPAL SHAREHOLDERS

No person known to the Resulting Issuer beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the outstanding Resulting Issuer Shares (either on an undiluted or fully diluted basis).

13. DIRECTORS AND OFFICERS

13.1 – Directors and Officers

The following table sets forth the name of all directors and officers of the Resulting Issuer, their municipalities of residence, their current positions with the Resulting Issuer, their principal

occupations during the past five years and the number and percentage of Resulting Issuer Shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement.

Name, Position, Province or State and Country of Residence	Principal Occupation or Employment for the Past Five Years	Date Elected or Appointed	Number & Percentage of Shares Held ¹
<p>Brad Rogers Chief Executive Officer and Director, Member of Audit Committee</p> <p>Ontario, Canada</p>	<p>Mr. Rogers was the former President and Chief Operating Officer of CannTrust Holdings (CSE: TRST) from April 2015 until November 2018. Mr. Rogers was also a co-founder and Chief Operating Officer of Mettrum Ltd. (now owned by Canopy Growth Corp. TSX: WEED) from January 2013 until December 2015. He led Mettrum Ltd. from pre-licensing to public listing, including the licencing of three facilities and multiple rounds of financing. From 1996 to 2012, Mr. Rogers was the VP Product for Mood Media. He has an MBA from the Ivey School of Business.</p>	<p>April 24, 2020</p>	<p>2,500,000 1.89%</p>
<p>Theo van der Linde Chief Financial Officer and Director,</p> <p>British Columbia, Canada</p>	<p>Mr. van der Linde is a Chartered Accountant with 20 years' extensive finance, administration and public accounting experience in diverse industries including mining, oil & gas, financial services, manufacturing and retail. During the last nine years of his career Mr. van der Linde has been focused on the mining industry working with Junior Exploration and producing mining Companies at various stages of growth and in several jurisdictions including South Africa, West- Africa, Peru, Sri-lanka and the United States. Mr. van der Linde currently acts a mining consultant as the President of Executive Management Solutions Ltd.</p>	<p>July 2017</p>	<p>Nil</p>
<p>Brendan Purdy Director, Audit Committee Chairman</p> <p>Ontario, Canada</p>	<p>Corporate Secretary and director of Global Blockchain Technologies Corp.; CEO and President of Element 79 Capital Inc.; former CEO and director of Enforcer Gold Corp.; director of each of Supreme Metals Corp. and ZTest Electronics Inc.; former director, CEO and chairman of High Hampton Holdings Corp. (CSE:HC) from November 2016 to December 2017; CEO and Director of Seaway Energy Services from April, 2016 to October 2016; a Director of Greenock Resources Inc. from October 2015 to February, 2016.</p>	<p>July 2017</p>	<p>Nil</p>
<p>Michael Marchese Director</p> <p>Ontario, Canada</p>	<p>MichiCann Medical president, co-founder and director. Co-founded Aleafia Health Inc. and directed its branding. (TSX: ALEF: OTC: ALEAF, FRA: ARAH).</p>	<p>April 24, 2020</p>	<p>4,302,500 3.24%</p>

<p>Bill Dawson Director, Member of Audit Committee</p> <p>Ontario, Canada</p>	<p>Chief Financial Officer of SBG – Skill Based Games Inc. since 2014; President and Chief Executive Officer of Play Games for Fun Limited Since 2013; Chief Financial Officer of Oakshire Holdings Limited from 2011 to 2018; Chief Financial Officer of Pong Game Studios Corporation from 2011 to 2018; Chief Financial Officer of Caliburger Canada Incorporated from 2015 to 2017; Chief Financial Officer of Blow Canada Inc. from 2014 to 2017.</p>	<p>April 24, 2020</p>	<p>148,000 0.11%</p>
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The Resulting Issuer currently has established an Audit Committee consisting of Messrs. Rogers, Purdy and Dawson and a Compensation Committee consisting of Messrs. Rogers, Purdy and Dawson. The composition and mandate of the Audit Committee and the Compensation Committee is determined by the Resulting Issuer’s Board.

Each Director stands for re-election at the Annual General Meeting of shareholders.

13.2 Corporate Cease Trade Orders

Except as noted below, no director, officer or promoter of the Resulting Issuer has, within the last ten years, been a director, officer or promoter of any company that:

- (a) was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive; or
- (b) was subject to an order that was issued after he or she ceased to act in that capacity, which resulted from an event that occurred while that person was acting as director, officer or promoter.

Brendan Purdy was an independent director of Boomerang Oil, Inc. (“**Boomerang**”) when cease trade orders were issued by the British Columbia Securities Commission and Alberta Securities Commission in 2015 due to Boomerang failing to file its annual audited financial statements for the fiscal year ended September 30, 2014, and its management's discussion and analysis relating thereto, as required under Part 5 of National Instrument 51-102. Boomerang continues to be subject to the cease trade orders.

13.3 Bankruptcies

No director, officer, or promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient amount of securities of the Resulting Issuer:

- (c) is, as at the date hereof, or has been within the last 10 years, a director or executive officer of any company that, while acting in that capacity, or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any

proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

13.4 Penalties or Sanctions

No director, officer, or promoter of the Resulting Issuer or any shareholder anticipated to hold a sufficient amount of securities of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely considered important to a reasonable investor in making an investment decision.

13.5 Conflicts of Interest

To the best knowledge of the Resulting Issuer and other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Resulting Issuer and a director, officer or promoter of the Resulting Issuer except that certain of the directors, officers and promoters of the Resulting Issuer serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Resulting Issuer and their duties as a director, officer and promoter of such other companies. See “17 – RISKFACTORS”.

The directors, officers and promoters of the Resulting Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Resulting Issuer will rely upon such laws in respect of any directors’ and officers’ conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable law and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

13.6 Management

The following summarizes certain information concerning the Resulting Issuer’s directors and officers:

Brad Rogers, Chief Executive Officer and Director, age 48, acted as Michicann’s Chief Executive Officer prior to the closing of the Transaction and previously served as President of Canntrust, one of Canada’s leading licensed cannabis producers. Under Brad’s direction, Canntrust created the Canadian cannabis market’s Gold Standard by producing quality, pharmaceutically standardized product across flower and extract. A recognized expert in cannabis production and a creative brand-building marketer, Mr. Rogers was instrumental in leading CannTrust into early profitability. He was the driving force behind its capital raises and IPO that peaked at a \$1.5 billion market cap.

Utilizing industry-leading scientific expertise and a disciplined “data driven” approach, Mr. Rogers managed CannTrust’s growth from 20 employees to more than 500 before his departure. Directed the creation of four adult consumer cannabis brands – Liiv; SYN.R.G, Xscape and Peak Leaf across National Distribution. To meet the needs of both the medical and recreational markets, he also

supervised the opening of the first two phases of CannTrusts's Perpetual Harvest Facility in Niagara which is expected to reach an annual output exceeding 100,000 kilograms. Mr. Rogers also worked on developing such innovative product extensions as beverages, vape pens, and edibles.

In addition, Mr. Rogers was part of the team that built one of the first ever commercially scaled cannabis production facilities in the world (for medicinal cannabis use) in 2014. That company (Metrum) was successfully sold in 2016 to Canopy Growth (NYSE:WEED) for over \$450 million.

He holds an MBA from the Richard Ivey School of Business, proudly supports Toronto's Centre for Addiction and Mental Health, the Trillium Gift of Life Network, and Inner City EQAO Mentoring. Mr. Rogers will devote approximately 80% of his time to the business of the Issuer.

Theo van der Linde, Chief Financial Officer and Director, age 45, is a Chartered Accountant with 20 years extensive experience in finance, reporting, regulatory requirements, public company administration, equity markets and financing of publicly traded companies. He has served as a CFO & Director for a number of TSX Venture Exchange and Canadian Securities Exchange listed companies over the past several years. Mr. van der Linde has extensive experience in financial services, manufacturing, oil & gas, mining and retail industries. Most recently, he has been involved with future use trends of natural resources as well as other disruptive technologies. Mr. van der Linde received a B.Comm. (Hons) in Finance, is a Chartered Accountant and is a member of good standing of the Institute of the Chartered Public Accountants of British Columbia.

Mr. van der Linde, in his capacity as Chief Financial Officer of the Resulting Issuer, is not subject to the terms of any non-competition or non-disclosure agreement. Mr. van der Linde will devote such time and expertise as is reasonably required by Resulting Issuer.

Mr. van der Linde will devote approximately 75% of his time to the business of the Issuer.

Brendan Purdy, Director, age 32, is a practicing securities lawyer, with experience in public companies, and the capital markets. Mr. Purdy received his J.D. from the University of Ottawa, received a Bachelor of Management and Organizational Studies degree from the University of Western Ontario. Mr. Purdy has significant cannabis industry experience, in both his private practice and in his capacity as management and director of public cannabis issuers. Mr. Purdy most recently acted as Director, CEO, and Chairman of High Hampton Holdings Corp. (CSE: HC), a CSE-listed cannabis investment company focused on acquisitions of cannabis distribution companies, branding opportunities, and state licensed producers in California, USA. Mr. Purdy was involved in identifying and facilitating the acquisition of CoachellaGro Corp., a California-based corporation holding 10.8 acres of land within the designated cannabis cultivation zone in Coachella, California.

In his securities law practice, Mr. Purdy has facilitated the acquisition and financing of other licensed producers and cannabis ancillary companies within Canada. Following his resignation as CEO of High Hampton, Mr. Purdy became General Counsel to 3 Sixty Secure Corp., a Canadian company providing static security and secure logistics for the transport and distribution of cannabis for several prominent licensed producers.

Mr. Purdy, in his capacity as a Director of the Resulting Issuer, is not subject to the terms of any non-competition or non-disclosure agreement. Mr. Purdy will devote such time and expertise as is reasonably required by Resulting Issuer.

Mr. Purdy will devote approximately 30% of his time to the business of the Issuer.

Michael Marchese, Director, age 45, Michael Marchese, MichiCann Medical president, co-founder and director, has played a major role in starting, developing and organizing the company to date. He also co-founded Aleafia Health Inc. and directed its branding. (TSX: ALEF; OTC: ALEAF, FRA: ARAH). He continues to advise the company. When MichiCann management is in place, he will transition to a marketing advisory role in his widely noted area of expertise and continue supervising the company's branding and its interface with internal and external audiences. For the past several decades, Marchese has successfully operated his own branding company, Marchese Design, and has developed identities and communications programs for such leading brands as Aleafia, Tutto Gourmet Foods, V Grace Bay, Turks & Caicos and Royal Group Technologies and its successor company, the Vision Group. Prior to the closing of the Transaction, Mr. Marchese served as a director and President of MichiCann Medical Inc since its inception. Mr. Marchese will devote approximately 80% of his time to the business of the Issuer.

Mr. Marchese, in his capacity as a director of the Resulting Issuer, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Issuer, and is not subject to any non-competition or non-disclosure agreement. Mr. Marchese will devote such time and expertise as is reasonably required by Resulting Issuer.

Bill Dawson, Director, age 68, is a Chartered Professional Accountant and Chartered Accountant with more than 40 years of experience in the field. Mr. Dawson has served as the Chief Financial Officer of SBG – Skill Based Games Inc. since 2014 and the President and Chief Executive Officer of Play Games for Fun Limited Since 2013. Mr. Dawson previously served as Chief Financial Officer of Oakshire Holdings Limited from 2011 to 2018, Pong Game Studios Corporation from 2011 to 2018, Caliburger Canada Incorporated from 2015 to 2017 and Blow Canada Inc. from 2014 to 2017. Mr. Dawson holds a BA in economics and finance as well as an MBA from York University.

Mr. Dawson, in his capacity as a director of the Issuer, is an independent contractor, providing his services on a part-time basis, is not subject to the terms of a formal engagement agreement with the Issuer, and is not subject to any non-competition or non-disclosure agreement. Mr. Dawson expects to dedicate approximately 20% of his time to the affairs of the Issuer.

14. CAPITALIZATION

The following tables provide information about the anticipated share capitalization of the Resulting Issuer as of the date of the Listing Statement.

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	132,807,686	262,831,831	100%	100%
Held by Related Persons (B)	6,950,500	8,406,749	5.23%	3.20%
Total Public Float (A-B)	125,857,186	254,425,082	94.77%	96.80%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions	19,480,222	19,480,222	14.67%	7.41%
Total Tradeable Float (A-C)	113,327,464	243,351,609	85.33%	92.59%

Public Security-holders (Registered)

For the purposes of this table, "public security-holders" are registered Shareholders other than related persons enumerated in section (B) of the previous chart as at the date of this Listing Statement.

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of Shares</u>
1 – 99 securities	3	35
100 – 499 securities	5	1,686
500 – 999 securities	5	3,634
1,000 – 1,999 securities	4	7,538
2,000 – 2,999 securities	7	15,859
3,000 – 3,999 securities	6	18,975
4,000 – 4,999 securities	3	14,157
5,000 or more securities	526	125,795,302
Totals	559	125,857,186

Public Security-holders (Beneficial)

The following table includes (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give

the aggregate position of all such intermediaries in the last line. All information as at the date of this Listing Statement

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of Shares</u>
1 – 99 securities	100	5,452
100 – 499 securities	191	44,385
500 – 999 securities	98	46,174
1,000 – 1,999 securities	51	72,601
2,000 – 2,999 securities	20	45,992
3,000 – 3,999 securities	10	33,743
4,000 – 4,999 securities	8	33,571
5,000 or more securities	30	16,455,492
Unable to confirm		
Totals	508	16,737,410

Non-Public Security-holders (Registered)

The following table includes "non-public securityholders", being those related persons enumerated in section (B) of the issued capital chart as at the date of this Listing Statement.

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of Shares</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	3	6,950,500
Totals	3	6,950,500

14.2 The following table details securities convertible or exchangeable into Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares.

Description of Security	Exercise Price	Number of convertible / exchangeable securities outstanding	Number of Common Shares upon conversion / exercise	Number of Series II Preferred Shares upon conversion/ exercise	Date of Conversion or Expiry
Warrants	\$5.28	323,898	323,898	N/A	June 11, 2020

Options	\$5.28	468,045	468,045	N/A	December 12, 2023
Options	US\$3.84	6,250	6,250	N/A	April 26, 2024
Options	US\$1.84	45,000	45,000	N/A	N/A
Options	\$5.44	1,279,815	1,279,815	N/A	April 26, 2024
Preferred Shares ⁽¹⁾	N/A	3,181,250	3,181,250	N/A	N/A
Series II Preferred Shares	N/A	108,726,349	108,726,349	N/A	Note 2
MichiCann Warrants	\$1.00	595,340	595,340	595,340	December 19, 2020
MichiCann Options	\$0.50	4,500,000	4,500,000	4,500,000	October 1, 2023
MichiCann Options	\$2.50	600,000	600,000	600,000	January 15, 2024
MichiCann Options	\$1.00	500,000	500,000	500,000	January 15, 2024
MichiCann Options	\$1.00	400,000	400,000	400,000	February 4, 2024
MichiCann Options	\$1.00	12,500	12,500	12,500	April 15, 2024
MichiCann Options	\$1.00	500,000	500,000	500,000	April 29, 2024
MichiCann Options	\$1.00	350,000	350,000	350,000	May 13, 2024
MichiCann Options	\$1.00	30,000	30,000	30,000	May 21, 2024
MichiCann Options	\$1.00	12,500	12,500	12,500	July 17, 2024
MichiCann Options	\$1.00	100,000	100,000	100,000	November 13, 2024

MichiCann Options	\$1.00	25,000	25,000	25,000	November 22, 2024
MichiCann Options	\$1.00	371,429	371,429	371,429	January 11, 2025

Note:

- (1) The Preferred Shares are subject to the restriction that no holder of the Preferred Shares may convert into a number of Shares that would result in such holder beneficially owning greater than 9.99% of the Shares; and further subject at all times to the Lock-Up Agreement. See Item 10, “Preferred Shares”.
- (2) At any time or times on or after the seven month anniversary of the initial issuance date and before the two year anniversary of the initial issuance date, each holder of a Series II Preferred Share shall be entitled to convert any whole number of Series II Preferred Shares, including any Series II Preferred Shares accrued from dividends issued hereunder, into validly issued, fully paid and non-assessable Common Shares at the Conversion Rate. Any Series II Preferred Shares outstanding on the two year anniversary of the initial issuance date, including any Series II Preferred Shares accrued from dividends, shall automatically convert into fully paid and non-assessable Common Shares at such time and without requiring any further action by the Holder.

15. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Set out below is a summary of compensation paid or accrued during the Issuer’s two most recently completed financial years to the Issuer’s NEOs and directors for services provided and for services to be provided, directly or indirectly, to the Issuer or any subsidiary thereof.

Director and Named Executive Officer Compensation Table

Table of compensation excluding compensation securities							
Name and principal position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Paul Rosen ⁽¹⁾⁽⁷⁾ <i>CEO and Director</i>	2019	195,833	Nil	Nil	Nil	Nil	195,833
	2018	275,000	Nil	Nil	Nil	Nil	275,000
Theo van der Linde ⁽²⁾ <i>CFO and Director</i>	2019	81,250	Nil	Nil	Nil	Nil	81,250
	2018	61,934	Nil	Nil	Nil	Nil	61,934
Terry Taouss ⁽³⁾⁽⁷⁾ <i>President</i>	2019	189,824	Nil	Nil	Nil	Nil	189,824
	2018	72,917	Nil	Nil	Nil	Nil	72,917
Brendan Purdy ⁽⁵⁾ <i>Director</i>	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Brian Penny ⁽⁶⁾⁽⁷⁾ <i>Director</i>	2019	16,014	Nil	Nil	Nil	Nil	16,014
	2018	10,000	Nil	Nil	Nil	Nil	10,000
Stuart Wooldridge ⁽⁶⁾ <i>Director</i>	2019	18,200	Nil	Nil	Nil	Nil	18,200
	2018	7,500	Nil	Nil	Nil	Nil	7,500

Notes:

- (1) Mr. Rosen was appointed as CEO of the Issuer on January 1, 2018 and as a director on July 20, 2017. All of the compensation received by Mr. Rosen was in respect of his position as CEO of the Issuer.
- (2) Mr. van der Linde was appointed as CFO and a director of the Issuer on July 20, 2017. All of the compensation received by Mr. van der Linde was in respect of his position as CFO of the Issuer.
- (3) Mr. Taouss was appointed as President of the Issuer July 5, 2018 and resigned effective January 22, 2019. Prior to July 5, 2018 and beginning on February 19, 2018, Mr. Taouss was in the role of Vice President, Operations. His compensation is reflected from the period beginning on February 19, 2018 and ending July 31, 2018.
- (4) Mr. Purdy was appointed as a director of the Issuer July 20, 2017.
- (5) Mr. Penny was appointed as a director of the Issuer on June 22, 2018 and his compensation is reflected from the period beginning on June 22, 2018 and ending on July 31, 2018.
- (6) Mr. Wooldridge was appointed as a director of the Issuer September 2001 .
- (7) As of the Listing Statement a Former Director or Officer of the Issuer.

Stock Options and Other Compensation Securities

The following table sets forth all compensation securities granted or issued to each NEO and director of the Issuer on a pre-consolidated basis during the year ended July 31, 2019 for services provided or to be provided, directly or indirectly, to the Issuer or any of its subsidiaries:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
Paul Rosen ⁽²⁾ <i>CEO and Director</i>	Options	125,000 options exercisable into 125,000 common shares	12/12/2018	\$1.84 (USD)		\$4.16 (USD)	12/12/23
Theo van der Linde ⁽³⁾ <i>CFO and Director</i>	Options	12,500 options exercisable into 12,500 common shares 18,750 options exercisable into 18,750 common shares	12/12/2018 04/26/2019	\$1.84 (USD) \$4.16 (USD)		\$4.16 (USD) \$4.16 (USD)	12/12/23 04/26/24
Terry Taouss ⁽⁴⁾ <i>President</i>	Options	62,500 options exercisable into 62,500 common shares	12/12/2018	\$1.84 (USD)		\$4.16 (USD)	12/12/23
Brian Penny ⁽⁶⁾ <i>Director</i>	Options	18,750 options exercisable into 18,750 common shares	06/22/2018	\$5.28		\$6.88 (USD)	06/22/23
Stuart Wooldridge ⁽⁷⁾ <i>Director</i>	Options	4,687 options exercisable into 4,687 common shares	06/22/2018	\$5.28		\$6.88 (USD)	06/22/23

Notes:

- (1) Tidal Shares began trading on the CSE on June 25, 2018.
- (2) Mr. Rosen had 288,750 options outstanding at the end the end of the most recently completed financial year.
- (3) Mr. van der Linde had 12,500 options outstanding at the end the end of the most recently completed financial year.
- (4) Mr. Taouss had 128,125 options outstanding at the end the end of the most recently completed financial year.

- (5) Mr. Purdy had 9,3750 options outstanding at the end the end of the most recently completed financial year.
- (6) Mr. Penny had 18,750 options outstanding at the end the end of the most recently completed financial year.
- (7) Mr. Wooldridge had 4,687 options outstanding at the end the end of the most recently completed financial year.

Exercise of Compensation Securities by Directors and Named Executive Officers

No compensation securities were exercised by any director or NEO during the year ended July 31, 2019.

External Management Companies

None of the NEOs or directors of the Issuer have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Issuer to provide executive management services to the Issuer, directly or indirectly.

Stock Option Plans and Other Incentive Plans

The only equity compensation plan which the Issuer has in place is the 10% rolling stock option plan (the "Option Plan") dated July 15, 2017, amended and restated as of December 6, 2018, as approved by shareholders of the Issuer at its annual general and special meeting held on December 6, 2018. The purpose of the Option Plan is to provide the Issuer with a share-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants, to reward such of those directors, officers, employees and consultants as may be awarded options under the Option Plan by the Tidal Board from time to time for their contributions toward the long term goals of the Issuer and to enable and encourage such directors, officers, employees and consultants to acquire Tidal Shares as long term investments.

The following information is intended to be a brief summary of the Option Plan:

- The maximum number of Tidal Shares with respect to which options may be granted pursuant to the Option Plan shall not exceed 10% of the issued and outstanding Tidal Shares on a non-diluted basis at any time;
- Options may be granted only to directors, officers, employees and consultants of the Issuer or any related entity of the Issuer;
- The total number of Tidal Shares that may be reserved for issuance to any one individual under the Option Plan shall not exceed 5% of the outstanding Tidal Shares. The maximum number of options that may be granted to any one consultant under the Option Plan, or employees performing investor relations activities for the Issuer, within any 12-month period shall not exceed 2% of the issued and outstanding Tidal Shares at the time of the grant;
- The term of an option shall not exceed ten years from the date of the grant of the option;
- Subject to allowable adjustments, the option price of any option shall not be lower than the market price on the date on which the grant of the option is approved by the Tidal Board;
- An option shall be personal to the optionee and shall be non-assignable and non-transferable (whether by operation of law or otherwise);

- In the event that any optionee ceases to be an eligible person under the Option Plan (i.e. ceases to be an officer, director, employee or consultant for any reason other than death or termination with cause), the optionee will be entitled to exercise his or her options which have vested as of such date of cessation only within a period of 30 days following the date of such cessation or such other date as may be determined by the Tidal Board, but in no event may any options be exercised following the expiry date thereof. In the event an optionee is terminated with cause, the options held by such optionee will expire on the date of such termination. In the event of the death of an optionee, any options held by such optionee which have vested as of the date of death may be exercised within a period of one year following the optionee's death;
- The Tidal Board may at any time amend the Option Plan or any options granted thereunder, subject to the receipt of all applicable regulatory approvals, other than substantive amendments to the Option Plan, which also require shareholder approval; and
- In the event that an offer to purchase or repurchase Tidal Shares or any part thereof shall be made to all or substantially all holders of Tidal Shares, the options shall be automatically and immediately accelerated such that all remaining options will then be available for exercise.

Employment, consulting and management agreements

Other than as set out below, the Issuer has not entered into any other contract, agreement, plan or arrangement that provides for payments to a NEO or a director at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement a change in control of the Issuer or a change in an NEOs or directors' responsibilities.

The Issuer entered into a management consulting agreement with Theo van der Linde effective July 20, 2017 with regard to his services as Chief Financial Officer of the Issuer. Pursuant to the agreement, the Issuer has agreed to pay Mr. van der Linde a base salary of \$72,000 per annum and shall continue indefinitely until terminated by either party in accordance with the terms of the agreement. The agreement provides for a severance clause of three months' notice for termination. In the event that Mr. van der Linde resigns for "Good Cause" following a "Change of Control" (as those terms are defined in the applicable agreement), Mr. van der Linde will be entitled to two times the annual pro-rated fee paid.

The Issuer entered into an informal verbal agreement with Paul Rosen effective July 20, 2017 with regard to his services as CEO of the Issuer. Pursuant to the informal verbal agreement, the Issuer has agreed to pay Mr. Rosen a base salary of \$300,000 per annum and shall continue indefinitely until terminated by either party. The agreement does not contain severance or change of control provisions. Subsequent to the year ended July 31, 2018, Mr. Rosen's salary was increased to \$400,000 per annum. Mr. Rosen ceased to act as an officer and director of the Issuer effective February 2019.

The Issuer entered into an informal verbal agreement with Terry Taouss effective July 5, 2018 with regard to his services as President of the Issuer. Pursuant to the informal verbal agreement, the Issuer has agreed to pay Mr. Taouss a base salary of \$175,000 per annum, with possible bonuses to

be awarded at the discretion of the Tidal Board and shall continue indefinitely until terminated by either party. The agreement provides for a severance clause of twelve months' notice for termination. The agreement does not contain change of control provisions. Subsequent to the year ended July 31, 2018, Mr. Taouss's salary was increased to \$250,000. Mr. Taouss ceased to act as an officer of the Issuer effective February 2019.

Oversight and description of director and named executive officer compensation

The Tidal Board is responsible for determining, by way of discussions at board meetings, the compensation to be paid to the NEOs and directors of the Issuer. The Tidal Board conducts reviews with regard to the compensation of the directors and the executive officers once a year.

Director Compensation

For the financial year ended July 31, 2019, the Issuer did not employ a nominating committee. All tasks related to developing and monitoring the approach to the nomination of directors to the Tidal Board were performed by the members of the Tidal Board.

Other than as set forth in the foregoing, no director of the Issuer who is not a Named Executive Officer has received, during the most recently completed financial year, compensation pursuant to:

- (a) any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;
- (b) any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors; or
- (c) any arrangement for the compensation of directors for services as consultants or expert.

Named Executive Officer Compensation

For the financial year ended July 31, 2019, the Issuer did not have a formal compensation program with specific performance goals nor did it employ a compensation committee. All tasks related to developing and monitoring the Issuer's approach to the compensation of officers were performed by the members of the Tidal Board. The compensation of each of the NEOs was reviewed, recommended and approved by the Issuer's independent directors.

The Tidal Board considers the performance of each NEO along with the Issuer's ability to pay compensation and the Issuer's results of operation for the period. As the objectives of the Issuer's compensation procedures are to align the interests of employees with the interests of shareholders, a significant portion of total compensation is based upon overall corporate performance.

Compensation is designed to achieve the following key objectives:

- to support our overall business strategy and objectives;
- to provide market competitive compensation that is substantially performance-based;

- to provide incentives that encourage superior corporate performance and retention of highly skilled and talented NEOs; and
- to align executive compensation with corporate performance and therefore shareholders' interests.

The Issuer's compensation package is comprised of short-term compensation in the form of base salary or service fees, medium-term compensation in the form of discretionary cash bonuses and long-term compensation in the form of option-based awards. The Issuer does not have a formal compensation program which sets benchmarks for performance by NEOs. Base salary is determined by the Tidal Board largely based on market standards. In addition, the Tidal Board may consider, on an annual basis, an award of bonuses to key executives and senior management. The amount and award of such bonuses is discretionary, depending on, among other factors, the financial performance of the Issuer and the position of a participant. The Tidal Board considers that the payment of such discretionary annual cash bonuses satisfies the medium-term compensation component. No bonuses were awarded for the financial year ended July 31, 2019. Lastly, the Issuer chooses to grant stock options to executive officers to satisfy the long-term compensation component.

The Tidal Board has not directly considered the implications of the risks associated with our compensation policies and practices. The Issuer does not have a set policy preventing an NEO or director from purchasing financing instruments such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such person. The Issuer does not use a peer group to determine compensation.

Since the end of the July 31, 2019 financial year, the Tidal Board has established a Compensation Committee.

Pension Disclosure

The Issuer does not have a pension plan that provides for payments or benefits to the NEOs or directors at, following, or in connection with retirement. The Issuer does not have any form of deferred compensation plan.

Post-Transaction Executive Compensation

After Completion of the Transaction, the Resulting Issuer will enter into management agreements with certain key employees of the company pursuant to which each will provide their respective services to the Resulting Issuer. The terms and conditions of all such management agreements have not yet been determined and will be subject to the prior approval of the Resulting Issuer's Board of Directors.

It is anticipated that the Resulting Issuer will pay compensation to its directors in the form of annual fees for attending meetings of the Resulting Issuer's Board of Directors. Directors may receive additional compensation for participating in and acting as chairs of committees of the Resulting Issuer. Directors will also be entitled to receive stock options and other applicable awards as determined by the Resulting Issuer's Board and will be reimbursed for any out-of-

pocket travel expenses incurred in order to attend meetings of the Resulting Issuer's Board, committees of the Resulting Issuer's Board or meetings of the shareholders of the Resulting Issuer. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which the Resulting Issuer will agree to indemnify its directors to the extent permitted by applicable law

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or senior officer the Resulting Issuer, or any associates of such persons, is indebted to the Resulting Issuer and no indebtedness of such persons is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Resulting Issuer.

17. RISK FACTORS

An investment in the Resulting Issuer's securities should be considered highly speculative due to the nature of our business and the present stage of our development. An investment in the Resulting Issuer's securities should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Prospective investors should consult with their professional advisors to assess an investment in the Resulting Issuer. In evaluating the Resulting Issuer and its business, investors should carefully consider, in addition to the other information contained in this Listing Statement, the risk factors listed below. These risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with our operations.

Risks Relating to an Investment in our Common Shares

The market reaction to the Transaction and the future trading prices of the Resulting Issuer Shares cannot be predicted.

Following the Transaction, the price of the Resulting Issuer Shares may fluctuate significantly due to the market's reaction to the Transaction and general market and economic conditions. An active trading market for the Resulting Issuer Shares following the Transaction may never develop or, if developed, it may not be sustained.

We have no source of operating revenue and it is likely we will operate at a loss until we are able to realize cash flow from our financings.

We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of common shares from treasury, control of the Resulting Issuer may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares.

Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of the investor's investment.

The market price of our common shares may experience significant volatility.

Factors such as announcements of quarterly variations in operating results, revenues, costs, changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general, announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or performance or relating to the industry in general, announcements of acquisitions or consolidations involving our portfolio companies, competitors or among the industry in general, as well as market conditions in the cannabis industry, such as regulatory developments, may have a significant impact on the market price of our common shares. Global stock markets and the CSE in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will be sustained for our common shares.

We do not anticipate that any dividends will be paid on our common shares in the foreseeable future.

We anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may not be able to sell their shares on favourable terms or at all.

The Resulting Issuer has a limited operating history with respect to financings in the U.S. cannabis sector, which can make it difficult for investors to evaluate the Resulting Issuer's operations and prospects and may increase the risks associated with investment in the Resulting Issuer.

The Resulting Issuer has a history of negative cash flow and losses that is not expected to change in the short term. Financings may not begin generating cash flow to the Resulting Issuer for several years following any financing.

The Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Resulting Issuer.

Currently, the U.S. cannabis industry generally is comprised of individuals and small to medium-sized entities. However, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the trend in connection with most state laws and regulations may deter this type of

takeover, this industry remains quite nascent, and therefore faces many unknown future developments, which in itself is a risk.

Because of the early stage of the industry in which the Resulting Issuer will operate, the Resulting Issuer expects to face additional competition from new entrants. The Resulting Issuer may not have sufficient resources to remain competitive, which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Resulting Issuer indebtedness could have a number of adverse impacts on the Resulting Issuer, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Resulting Issuer could have significant consequences on the Resulting Issuer, including: increase the Resulting Issuer's vulnerability to general adverse economic and industry conditions; require the Resulting Issuer to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Resulting Issuer's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Resulting Issuer's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Resulting Issuer at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Resulting Issuer's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

The Resulting Issuer's revenues and expenses may be negatively impacted by fluctuations in currency.

The Resulting Issuer's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Resulting Issuer's business, financial condition and operating results. The Resulting Issuer may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Resulting Issuer develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Related to the Cannabis Industry

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and

operations. For background information on the inconsistency between state and federal regulation of cannabis, please refer to “*Item 4.2 - Market Information, Trends, Commitments, Events and Uncertainties – Effects of Government Regulations*”.

2018 Farm Bill

For background, hemp is defined in the legislation as the cannabis plant which is the same plant that produced marijuana. The key difference is that hemp cannot contain more than 0.3% of THC. In conclusion hemp does not have the same euphoria effects. For decades in the US, federal law did not differentiate hemp from other cannabis plants, all of which were effectively made illegal in 1937 under the Marijuana Tax Act and formally made illegal in 1970 under the Controlled Substance Act which under the 1970 Controlled Substance Act bans cannabis of any kind.

There were pilot programs to study hemp, often referred to as “industrial hemp” that were approved by both the U.S. Department of Agriculture (USDA) and the state departments of agriculture in the US. This allowed small-scale expansion of hemp cultivation for limited purposes.

The 2018 Farm Bill is more expansive as it allows for hemp cultivation broadly, not simple pilot programs for studying market interest in hemp-derived products. It explicitly allows the transfer of hemp-derived products across state lines in the US for commercial or other purposes. It also puts no restrictions on the scale, transport or possession of hem-derived products, so long as those items are produced in a manner consistent with the law.

As noted above, hemp cannot contain more than 0.3% THC, per section 1-113 of the 2018 Farm Bill. Any cannabis plant that contains more than 0.3% THC would be considered non-hemp cannabis (or marijuana) under US Federal Law and would therefore not be protected under the 2018 Farm Bill.

Second, there will be significant shared state-federal regulatory power over hemp cultivation and production. Under section 10113 of the 2018 Farm Bill state departments of agriculture must consult with the state’s governor and chief law enforcement office to devise a plan that must be submitted to the Secretary of the USDA. A state’s plan to licence and regulate hemp can only commence once the Secretary of the USDA approves that state’s plan. In states opting t not to devise a hemp regulatory program the USDA will construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally run program

Third, the law outlines actions that are considered violations of federal hemp law including such activities as cultivating without a licenses or producing cannabis with more than 0.3% THC. The law details possible punishments for such violations, pathways for violators to become compliant and even which activities qualify as felonies under the law, such as repeated offenses,

One big misconception about the 2018 Farm Bill is that cannabidiol (CBD – a non-intoxicating compound found in cannabis) is legalized. It is true that section 12619 of the 2018 Farm Bill removed hemp-derived products from its schedule I status under the Controlled Substance Act, but the legislation does not legalize CBD generally as it remains a Schedule I substance under federal law. The 2018 Farm Bill ensures that any cannabinoid (a set of chemical compounds found in the cannabis plant that is derived from hemp) will be legal if and only if that hemp is produced in a manner consistent with the 2018 Farm Bill, associated federal regulations, associated state regulations and by the licensed grower. All other cannabinoids produced in any other setting,

remain a Schedule I substance under federal law and are thus illegal. The one exception is pharmaceutical-grade CBD products that have been approved by the FDA which currently includes one drug which is GW Pharmaceutical's Epidiolex.

The funding of businesses in the cannabis industry may expose us to potential criminal liability.

While we do not intend to harvest, distribute or sell cannabis, the funding of businesses in the medical and adult-use cannabis industry could be deemed to be participating in marijuana cultivation, which remains illegal under federal law pursuant to the CSA and exposes us to potential criminal liability, with the additional risk that our properties, or those of our portfolio companies, could be subject to civil forfeiture proceedings. For background information on the inconsistency between state and federal regulation of cannabis, please refer to “*Item 4.2 - Market Information, Trends, Commitments, Events and Uncertainties – Effects of Government Regulations*”.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Resulting Issuer in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Such risks are difficult to predict. For instance, it is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Resulting Issuer's business, revenues, operating results and financial condition as well as the Resulting Issuer's reputation, even if such proceedings were concluded successfully in favour of the Resulting Issuer. The regulatory uncertainties make identifying the new risks applicable to the Resulting Issuer and its business and the assessment of the impact of those risks on the Resulting Issuer and its business extremely difficult.

The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Resulting Issuer and its portfolio companies and may affect the financial condition of market participants, including the Resulting Issuer.

Participants in the U.S. cannabis industry 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 restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes

to 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 participant and, thereby, on the Resulting Issuer's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Resulting Issuer's financings in such businesses would be materially and adversely affected notwithstanding that the Resulting Issuer may not be directly engaged in the sale or distribution of cannabis.

Changes to or the imposition of new government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Resulting Issuer's earnings and could make future financing uneconomic.

The Resulting Issuer and the companies it funds may become subject to litigation which could have a significant impact on the Resulting Issuer's profitability.

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Resulting Issuer, or one or more of the Resulting Issuer's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Resulting Issuer. The consequences of such enforcement would be materially adverse to the Resulting Issuer and the Resulting Issuer's business and could result in the forfeiture or seizure of all or substantially all of the Resulting Issuer's assets. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

As the possession and use of cannabis is illegal under the CSA, we may be deemed to be aiding and abetting illegal activities through the funding of our portfolio companies, and as such may be subject to enforcement actions which could materially and adversely affect our business.

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). Such an action would have a material adverse impact on our business and operations.

Losing access to traditional banking and the application of anti-money laundering rules and regulations to our business could have a significant effect on our ability to conclude financings and achieve returns.

The Resulting Issuer is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. For background on these laws and various guidance issued by certain regulatory authorities concerning banking cannabis-related businesses, please refer to “*Item 4.2 - Market Information, Trends, Commitments, Events and Uncertainties – Effects of Government Regulations*”.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Resulting Issuer will have a material ancillary involvement in the U.S. legal cannabis industry, the Resulting Issuer may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Resulting Issuer’s business. Furthermore, the Resulting Issuer’s U.S. subsidiaries may be unable to open bank accounts with U.S. financial institutions, which may also make it difficult to operate the Resulting Issuer’s business.

Proceeds from the Resulting Issuer’s financings could be considered proceeds of crime which may restrict the Resulting Issuer’s ability to pay dividends or effect other distributions to its shareholders.

The Resulting Issuer’s future financings, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Resulting Issuer has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Resulting Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Resulting Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Resulting Issuer expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Resulting Issuer will be successful, in whole or in

part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

The Resulting Issuer's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada, which could lead to the imposition of certain restrictions on the Resulting Issuer's ability to invest in the U.S.

It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Resulting Issuer's Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the Exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future.

For the reasons set forth above, the Resulting Issuer's future financings in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

The Resulting Issuer's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines which could increase compliance costs substantially or require the alteration of business plans.

The Resulting Issuer's business operations will indirectly be affected by laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws are broad in scope and subject to

evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Resulting Issuer's business plans and result in a material adverse effect on certain aspects of its planned operations.

As consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis evolve, the Resulting Issuer may face unfavourable publicity or consumer perception.

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Resulting Issuer's ability to gain and increase market acceptance of its proposed royalty business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Resulting Issuer.

Cannabis use may increase the risk of serious adverse side effects which could subject the Resulting Issuer or its portfolio companies to product liability claims, regulatory action and litigation.

As a company that finances businesses in the cannabis industry, we face the risk of exposure to, or having our portfolio companies exposed to, product liability claims, regulatory action and litigation if the products or services of our portfolio companies are alleged to have caused loss or injury. Our portfolio companies may become subject to product liability claims due to allegations that their products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, may exacerbate the symptoms for individuals with bipolar disorder, may increase the risk for the development of depressive disorders, may impair learning, memory and attention capabilities, and result in other side effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. There can be no assurance that our portfolio companies will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be

available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in our portfolio companies becoming subject to significant liabilities that are uninsured and also could adversely affect their commercial arrangements with third parties. Such a product liability claim or regulatory action against an operator could result in increased costs, could adversely affect the Resulting Issuer's financing and reputation, and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer.

If our portfolio companies do not comply with applicable packaging, labeling and advertising restrictions on the sale of cannabis in the adult-use market, we could face increased costs, our reputation could be negatively affected and there could be a material adverse effect on our results of operations and financial condition.

Products distributed by our portfolio companies into the adult-use market may be required to comply with legislative requirements relating to product formats, product packaging, and marketing activities around such products, among others. As such, the portfolio of brands and products of our portfolio companies will need to be specifically adapted, and their marketing activities carefully structured, to enable them to develop their brands in an effective and compliant manner. If our portfolio companies are unable to effectively market their cannabis products and compete for market share, or if the costs relating to compliance with government legislation increase beyond what can be absorbed in the price of products, our earnings could be adversely affected which could make future financing uneconomic.

The products of our portfolio companies may become subject to product recalls, which could negatively impact our results of operations.

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 products of our portfolio companies are recalled due to an alleged product defect or for any other reason, such recall may disrupt certain aspects of the Resulting Issuer's business plans and result in a material adverse effect on certain aspects of its planned operations. In addition, a product recall involving one or multiple of our portfolio companies may require significant attention by our senior management. If the products of one of our portfolio companies were subject to recall, the image of that brand and the Resulting Issuer as an investor could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the products of our portfolio companies and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of our operations by the U.S. FDA, Health Canada or other regulatory agencies, requiring further senior management attention and potential legal fees and other expenses.

General Business Risks

There can be no assurance that future financings made by the Resulting Issuer will be profitable.

As part of the Resulting Issuer's overall business strategy, the Resulting Issuer intends to pursue its financing policy and objectives. There are always risks associated with any business transaction,

particularly one that involves a largely cash based operation, operating in a new and growing field, with conflicting federal and state laws. There is no assurance any financings will be profitable.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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 Resulting Issuer.

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its board of directors and senior management.

The Resulting Issuer must rely substantially upon the knowledge and expertise of its directors and officers in entering into any investment arrangements or transactions and in determining the composition of the Resulting Issuer's investment portfolio. The loss of any of the Resulting Issuer's directors and/or officers could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

The Resulting Issuer's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

Litigation, complaints, and enforcement actions the Resulting Issuer could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Resulting Issuer's future cash flows, earnings, results of operations and financial condition.

The Resulting Issuer is a British Columbia corporation governed by the Business Corporations Act (British Columbia) and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, 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 an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. 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 an operator, and consequently, the Resulting Issuer.

The success of the Resulting Issuer may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

Insurance coverage obtained by an operator may be insufficient to cover all claims to which the operator may become subject.

The Resulting Issuer will require an operator to have insurance coverage for applicable risks. However, there can be no assurance that such coverage will be available or sufficient to cover claims to which the operator may become subject. Each operator may be affected by a number of operational risks and may not be adequately insured for certain risks, including: civil litigation; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, an operator's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the operator's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Resulting Issuer's future cash flows, earnings and financial condition. Also, an operator may be subject to or affected by liability or sustain loss for certain risks and hazards against which it may elect not to insure because of the cost. If insurance coverage is unavailable or insufficient to cover any such claims, an operator's financial resources, results of operations and prospects, as well as the Resulting Issuer's financing, could be adversely affected.

Maintaining a public listing is costly and will add to the Resulting Issuer's legal and financial compliance costs.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Resulting Issuer may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue

operating and the market price for Shares. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant resources.

The Resulting Issuer may experience difficulty implementing its business strategy.

The growth and expansion of the Resulting Issuer is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Resulting Issuer will be successful in the implementation of its business strategy.

Conflicts of interest involving the Resulting Issuer's directors and officers may arise and may be resolved in a manner that is unfavourable to the Resulting Issuer.

Certain of the Resulting Issuer's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Resulting Issuer intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Resulting Issuer's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Resulting Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Resulting Issuer's best interests. However, in conflict of interest situations, the Resulting Issuer's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Resulting Issuer. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Resulting Issuer.

The available talent pool may not be large enough for the Resulting Issuer to identify and hire personnel required to develop the business, which may mean that the growth of the Resulting Issuer's business will suffer.

As the Resulting Issuer grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of financings and cannabis may be difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Resulting Issuer. Without adequate personnel and expertise, the growth of the Resulting Issuer's business may suffer.

If the requirements of the Investment Company Act of 1940 (the "1940 Act") were imposed on the Resulting Issuer, such requirements would adversely affect our operations.

The Resulting Issuer intends to conduct its operations so that it is not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are

securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

The Resulting Issuer is organized as a holding company that conducts business primarily through wholly-owned or majority-owned subsidiaries. The Resulting Issuer intends to conduct operations so that it complies with the 40% test. The Resulting Issuer will monitor our holdings to comply with this test. Failure to comply with the 40% test could require the Resulting Issuer to register as an investment company under the 1940 Act, which would have a material adverse effect on our operations.

There could be adverse tax consequence for our shareholders in the United States if we are deemed a passive foreign investment company.

Under United States federal income tax laws, if a company is (or for any past period was) a passive foreign investment company (which we refer to as “PFIC”), it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change. Furthermore, the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. The Resulting Issuer believes based on current business plans and financial expectations that it may be a PFIC for the current tax year and future tax years. United States purchasers of our common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC.

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences such as the ineligibility for any preferred tax rates on capital gains, the ineligibility for actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund (or QEF) election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership, and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.

Covid-19

The outbreak of the COVID-19 pandemic has impacted the Issuer’s plans and activities. The Issuer may face disruption to operations, supply chain delays, travel and trade restrictions and impact on economic activity in affected countries or regions can be expected and can be difficult to quantify. Such pandemics or diseases represent a serious threat to maintaining a skilled workforce industry and could be a major health-care challenge for the Issuer. There can be no assurance that the Issuer’s personnel will not be impacted by these pandemic diseases and ultimately that the Issuer would see its workforce productivity reduced or incur increased medical costs/insurance premiums as a result of these health risks. In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 pandemic outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Issuer’s operations and access to capital. There can be no assurance that the Issuer will not be impacted by adverse consequences that may be

brought about by the COVID-19 pandemic on global financial markets may reduce resource prices, share prices and financial liquidity and thereby that may severely limit the financing capital available.

18. PROMOTERS

Not Applicable

19. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date of this Listing Statement, there are no legal proceedings material, and no contemplated legal proceedings known to be material, to the Resulting Issuer or its expected subsidiaries, to which the Resulting Issuer or its expected subsidiaries is a party or of which any of the Resulting Issuer or its expected subsidiaries' respective property is the subject matter.

As of the date of this Listing Statement, the Resulting Issuer has not been subject to any penalties or sanctions imposed by any court or regulatory authority relating to provincial and territorial securities legislation or by a securities regulatory authority, within the three years immediately preceding the date hereof, nor has any party entered into a settlement agreement with a securities regulatory authority within the three years immediately preceding the date hereof, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than services as directors, executive officers and employees of the Resulting Issuer, the Resulting Issuer has not acquired any assets or been provided any services in any material transaction, or in any proposed material transaction, from any director, executive officer, insider or promoter of the Resulting Issuer, the proposed nominees for election as directors of the Resulting Issuer, the proposed executive officers, insiders or promoters of the Resulting Issuer, or their associates and affiliates. Other than as disclosed below, no director, executive officer, insider or promoter of the Resulting Issuer or any associate or affiliate of any such person or company has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Resulting Issuer.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The Resulting Issuer's auditor is Manning Elliot LLP, 11th Floor, 1050 West Pender Street, Vancouver, British Columbia Canada V6E 3S7.

The Resulting Issuer's transfer agent is National Issuer Services Ltd., 760 – 777 Hornby Street, Vancouver, British Columbia V6Z 1S4

MichiCann's independent auditors are Smythe LLP, Chartered Professional Accountants, 1700 – 475 Howe St, Vancouver, BC V6C 2B3.

22. MATERIAL CONTRACTS

Except for contracts entered into by the Resulting Issuer in the ordinary course of business, the Resulting Issuer does not currently have any material contracts in place with the exception of:

1. The Business Combination Agreement.
2. The Debenture Purchase Agreement.
3. The PharmaCo Debenture.
4. The PharmaCo Put/Call Option Agreement.
5. The Tidal Debenture.
6. The Bridging Amended Credit Agreement
7. The MAG Merger Agreement
8. The MAG Real Estate Purchase Agreement

22.1 Special Agreements

Not applicable.

22.2 Co-tenancy, Unitholders or Limited Partnership Agreements

Not applicable.

23. INTEREST OF EXPERTS

No person, company or auditor named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any material beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an associate or affiliate of the Resulting Issuer.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Resulting Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer and its securities.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of the Issuer

Please refer to Appendix "A" for the Issuer's annual audited financial statements for the fiscal years ended July 31, 2019, 2018 and 2017 and to Appendix "C" for the Issuer's interim financial statements for the six months ended January 31, 2020.

25.2 Financial Statements of MichiCann

Please refer to Appendix “E” for MichiCann’s annual audited financial statements for the fiscal periods ended December 31, 2018 and 2017 and to Appendix “G” for the Michicann’s financial statements for the year ended December 31, 2019.

25.3 Pro Forma Consolidated Financial Statements of the Resulting Issuer as at January 31, 2020

Please refer to Appendix I for the Pro Forma Consolidated Financial Statements of the Issuer as at January 31, 2020.

APPENDIX A

**Audited Financial Statements of the Issuer
for the years ended July 31, 2019, 2018 and 2017**



Consolidated Financial Statements

Years Ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of Tidal Royalty Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tidal Royalty Corp. (the "Company"), which comprise consolidated statement of financial position as at July 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information. (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

November 28, 2019

We have served as the Company's auditor since 2011.

TIDAL ROYALTY CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at July 31,	Notes	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 2,961,514	\$ 33,904,759
Sales tax receivable		-	129,415
Convertible debenture receivable	5	15,000,000	-
Prepaid expenses and deposits	4	129,418	531,859
		18,090,932	34,566,033
Deposits		328,700	-
Promissory note receivable	6	3,412,421	-
Land	7	592,655	-
Investments in equity securities	8	1,766,953	-
TOTAL ASSETS		\$ 24,191,661	\$ 34,566,033
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	9	\$ 336,540	\$ 311,357
Due to related parties	10	21,347	18,685
Loans payable		-	10,000
TOTAL LIABILITIES		357,887	340,042
EQUITY			
Convertible preferred shares	11	2,388,941	1,754,721
Convertible preferred shares issuable	11	-	2,000,000
Common shares	11	48,525,793	45,432,573
Reserves	11	11,816,876	5,324,016
Accumulated other comprehensive loss		(796)	-
Accumulated deficit		(38,897,040)	(20,285,319)
TOTAL EQUITY		23,833,774	34,225,991
TOTAL LIABILITIES AND EQUITY		\$ 24,191,661	\$ 34,566,033

Nature and Continuance of Operations (Note 1)

Commitment (Note 16)

Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Stuart Wooldridge"

Stuart Wooldridge, Director

"Theo van der Linde"

Theo van der Linde, Director

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

For the year ended July 31,	2019	2018
Expenses		
Consulting fees (Note 10)	\$ 1,333,704	\$ 1,933,550
General and administration	223,985	93,861
Investor relations and stock promotion	2,521,416	1,196,309
Insurance	135,493	-
Professional fees	1,100,143	461,195
Rent (Note 10)	195,050	84,670
Share-based compensation (Notes 10 and 11)	7,329,800	3,250,476
Salaries and benefits (Note 10)	915,585	244,526
Transfer agent and filing fees	88,215	76,869
Travel	131,552	106,368
	(13,974,943)	(7,447,824)
Other income (expense)		
Dividends income	2,467	-
Foreign exchange gain (loss)	260,880	(377,265)
Gain on debt extinguishment	10,000	-
Interest income	404,921	-
Realized gain on investments in equity securities and convertible debentures (Note 5 and 8)	281,892	-
Unrealized loss on investments in equity securities (Note 8)	(5,373,032)	-
Write down of sales tax receivable	(223,906)	-
Net loss	\$ (18,611,721)	\$ (7,825,089)
Other comprehensive loss		
Foreign subsidiary currency translation loss	(796)	-
Net loss and comprehensive loss for the year	(18,612,517)	(7,825,089)
Loss per share, basic and diluted for the year	\$ (0.07)	\$ (0.26)
Weighted average number of common shares outstanding	271,055,333	30,039,081

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Consolidated Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars)

	Number of convertible preferred shares #	Convertible preferred shares \$	Convertible preferred shares issuable \$	Number of common shares #	Common shares \$	Share- based payment reserve \$	Warrant reserve \$	Total reserves \$	Accumulated deficit \$	Accumulated other comprehensive loss \$	Total shareholders' equity (deficiency) \$
Balance, July 31, 2017	-	-	-	2,843,636	12,297,109	27,464	-	27,464	(12,460,230)	-	(135,657)
Issuance of preferred shares	40,000,000	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Exercise of preferred shares purchase warrants	-	-	2,000,000	-	-	-	-	-	-	-	2,000,000
Fair value of preferred shares finders' warrants	-	(141,440)	-	-	-	-	141,440	141,440	-	-	-
Issuance of 59,370,000 special warrants	-	-	-	-	-	-	2,968,500	2,968,500	-	-	2,968,500
Issuance of 3,757,000 finders' special warrants	-	-	-	-	(187,850)	-	187,850	187,850	-	-	-
Issuance of 57,120,000 special warrants	-	-	-	-	-	-	2,856,000	2,856,000	-	-	2,856,000
Issuance of 5,292,000 finders' special warrants	-	-	-	-	(264,600)	-	264,600	264,600	-	-	-
Issuance of 12,690,000 special warrants	-	-	-	-	-	-	634,500	634,500	-	-	634,500
Issuance of 1,220,000 finders' special warrants	-	-	-	-	(61,000)	-	61,000	61,000	-	-	-
Conversion of special warrants	-	-	-	116,490,000	5,824,500	-	(5,824,500)	(5,824,500)	-	-	-
Conversion of 3,757,000 finders' special warrants	-	-	-	3,757,000	187,850	-	(187,850)	(187,850)	-	-	-
Conversion of 5,292,000 finders' special warrants	-	-	-	5,292,000	264,600	-	(264,600)	(264,600)	-	-	-
Private placements	-	-	-	94,355,026	31,137,159	-	-	-	-	-	31,137,159
Proceeds from warrants exercised	-	-	-	5,050,000	252,500	-	-	-	-	-	252,500
Share issuance costs	-	(103,839)	-	-	(4,017,695)	-	1,209,136	1,209,136	-	-	(2,912,398)
Share-based compensation	-	-	-	-	-	3,250,476	-	3,250,476	-	-	3,250,476
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(7,825,089)	-	(7,825,089)
Balance, July 31, 2018	40,000,000	1,754,721	2,000,000	227,787,662	45,432,573	3,277,940	2,046,076	5,324,016	(20,285,319)	-	34,225,991
Issuance of preferred shares	40,000,000	2,000,000	(2,000,000)	-	-	-	-	-	-	-	-
Conversion of preferred shares	(29,100,000)	(1,365,780)	-	29,100,000	1,365,780	-	-	-	-	-	-
Proceeds from warrants exercised	-	-	-	17,810,000	890,500	-	-	-	-	-	890,500
Conversion of 4,000,000 special finder warrants	-	-	-	4,000,000	141,440	-	(141,440)	(141,440)	-	-	-
Conversion of 12,690,000 special warrants	-	-	-	12,690,000	634,500	-	(634,500)	(634,500)	-	-	-
Conversion of 1,220,000 special finder warrants	-	-	-	1,220,000	61,000	-	(61,000)	(61,000)	-	-	-
Share-based compensation	-	-	-	-	-	7,329,800	-	7,329,800	-	-	7,329,800
Foreign subsidiary currency translation loss	-	-	-	-	-	-	-	-	-	(796)	(796)
Net loss for the year	-	-	-	-	-	-	-	-	(18,611,721)	-	(18,611,721)
Balance, July 31, 2019	50,900,000	2,388,941	-	292,607,662	48,525,793	10,607,740	1,209,136	11,816,876	(38,897,040)	(796)	23,833,774

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the year ended July 31,	2019	2018
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (18,611,721)	\$ (7,825,089)
Items not affecting operating cash:		
Accrued interest	(403,488)	-
Realized gain on investments in equity securities and convertible debentures	(281,892)	-
Unrealized loss on investments in equity securities	5,373,032	-
Write down of sales tax receivable	223,906	-
Gain on debt extinguishment	(10,000)	-
Foreign exchange gain	(64,057)	-
Share-based payments	7,329,800	3,250,476
	(6,444,420)	(4,574,613)
Net changes in non-cash working capital:		
Sales tax receivable	(94,491)	(128,557)
Prepaid expenses and deposits	73,739	(530,648)
Accounts payables and accrued liabilities	27,233	206,132
Due to related parties	2,662	-
	(6,435,277)	(5,027,686)
FINANCING ACTIVITIES		
Due to related parties	-	(4,081)
Shares issued for cash	-	-
Repayment of loan	-	(60,000)
Proceeds from loan	-	40,000
Proceeds from exercise of common share purchase warrants	890,500	252,500
Proceeds from private placement of special warrants	-	6,459,000
Proceeds from issuance of preferred units and exercise of preferred share purchase warrants	-	4,000,000
Proceeds from private placement of common shares	-	31,137,159
Share issuance costs	-	(2,912,398)
	890,500	38,912,180
INVESTING ACTIVITIES		
Investment in convertible debenture receivable	(15,000,000)	-
Land acquisition	(592,655)	-
Investment in Lighthouse Strategies, LLC	(6,574,000)	-
Investment in Harborside Inc.	(3,000,000)	-
Advances for promissory note receivable	(3,216,274)	-
Proceeds from sales of investment in Harborside Inc.	2,984,461	-
	(25,398,468)	-
Increase (decrease) in cash and cash equivalents	(30,943,245)	33,884,494
Cash and cash equivalents, beginning of the year	33,904,759	20,265
Cash and cash equivalents, end of the year	\$ 2,961,514	\$ 33,904,759
The components of cash and cash equivalents are:		
Cash at bank	\$ 209,268	\$ 33,789,759
Money market funds	2,637,246	-
Term deposit	115,000	115,000
	\$ 2,961,514	\$ 33,904,759
Non-cash Investing and Financing Activities		
Finders' warrants issued pursuant to private placement	\$ -	\$ 1,209,136
Finders' warrants issued pursuant to special warrant issuance	\$ -	\$ 513,450
Preferred share finders' warrants	\$ -	\$ 141,440
Conversion of preferred shares	\$ 1,365,780	\$ -
Conversion of special warrants and special finders warrants	\$ 836,940	\$ 6,276,950

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Tidal Royalty Corp. ("the Company") was incorporated under the laws of British Columbia. The Company's principal business is to invest in conventional equity, debt and other forms of investments in private and public companies in Canada and the United States.

The head office, address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The principal place of business of the Company is 161 Bay St., Suite 4010, Toronto ON, M5J 2S1.

On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). As at November 28, 2019, the transaction has not closed (see Note 16).

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at July 31, 2019, the Company has an accumulated deficit of \$38,897,040, no source of operating cash flow and no assurance that sufficient funding will be available. Management intends to raise funds through a combination of equity and/or debt financing, along with a realization of sale of investments. The success of these plans will also depend upon the ability of the Company to generate cash flows from its portfolio investments.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such amounts could be material. However, Management has assessed and concluded that the Company has the ability to continue as a going concern for at least the next twelve months.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These consolidated financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 28, 2019.

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(c), which are measured at fair value.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars. The functional currency of each entity is determined using the currency of the primary economic environment in which the entity operates. The Company's functional currency, as determined by management, is the Canadian dollar. The Company's US subsidiaries functional currencies, as determined by management, are the United States dollar.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

2. Basis of Preparation and Statement of Compliance (continued)

Basis of Consolidation

During the year ended July 31, 2019, the Company incorporated several subsidiaries. As at July 31, 2019, the Company's structure includes Tidal Royalty Corp., the parent company incorporated pursuant to the laws of the Business Corporations Act (British Columbia), and the following subsidiaries:

Entity	Domicile of Incorporation	% of interest at July 31, 2019
Royalty USA Corp.	Delaware, USA	100%
RLTY Beverage 1 LLC	Delaware, USA	100%
RLTY Development MA 1 LLC	Delaware, USA	100%
RLTY Development 1 NV 1 LLC	Delaware, USA	100%
RLTY Development Orange LLC	Massachusetts, USA	100%
RLTY Development Springfield LLC	Massachusetts, USA	100%
RLTY Service LLC	Delaware, USA	100%
RLTY Development FLA 1 LLC	Delaware, USA	100%
RLTY Development FLA 2 LLC	Delaware, USA	100%
RLTY Development CA 1 LLC	Delaware, USA	100%

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates:

i) Investments in equity securities, convertible and promissory notes receivable

Management uses valuation techniques in measuring the fair value of investments in equity securities, convertible and promissory notes receivable.

In applying the valuation techniques management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument.

Where applicable data is not observable, company-specific information is considered when determining whether the fair value of a investment in equity securities or convertible and promissory notes receivable should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing investment in equity securities, convertible and promissory notes receivable.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

2. Basis of Preparation and Statement of Compliance (continued)

Use of Estimates and Judgments (continued)

ii) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

Significant accounting judgements:

i) Going concern

The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects.

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As of July 31, 2019, the Company held cash, a term deposit and money market funds.

(b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any provisions.

(c) Financial Instruments

(i) Classification

The Company classifies its financial instruments in the following categories: FVTPL, at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(c) Financial Instruments (continued)

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

(ii) Measurement

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity securities at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(c) Financial Instruments (continued)

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

(d) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(e) Foreign Currency Translation (continued)

Financial statements of subsidiary companies prepared under their functional currencies are translated into Canadian dollars for consolidation purposes. Amounts are translated using the current rates of exchange for assets and liabilities and using the average rates of exchange for the period for revenues and expenses. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of equity, described as foreign currency translation adjustment. In the event of a reduction of the Company's net investment in its foreign operations, the portion of accumulated other comprehensive income related to the reduction is realized and recognized in operations.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options, share purchase warrants and convertible preferred shares are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options, share purchase warrants and convertible preferred shares are considered to be anti-dilutive.

(g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(i) Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common and convertible preferred shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The proceeds from issuance of units are allocated between shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the shares at the time the units are issued and any residual value is allocated to warrant reserve.

(j) Adoption of New or Amended Accounting Standards

IFRS 9 Financial Instruments: Classification and Measurement - The Company adopted all of the requirements of IFRS 9 for the annual period beginning on August 1, 2019. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Financial assets:		
Cash and cash equivalents	FVTPL	FVTPL
Financial liabilities:		
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

IFRS 15 Revenue from Contracts with Customers – IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has adopted the amendments to IFRS 15 in its financial statements for the annual period beginning on August 1, 2019 with no resulting adjustments.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(j) Adoption of New or Amended Accounting Standards (continued)

IFRS 2 *Share-based Payment* - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company has adopted the amendments to IFRS 2 in its financial statements for the annual period beginning on August 1, 2019 with no resulting adjustments.

(k) New Accounting Standards Issued but Not Yet Effective

New standards and interpretations not yet adopted Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 *Leases* - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. Prepaid Expenses and Deposits

	July 31, 2019	July 31, 2018
	\$	\$
Insurance	1,432	72,621
Advertising and promotion	71,736	89,894
Consulting	24,797	322,891
Deposits	31,453	46,453
	129,418	531,859

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5. Convertible Debenture Receivable

MichiCann Medical Inc.

On February 25, 2019, pursuant to the terms of the Proposed Transaction, the Company advanced \$15,000,000 to MichiCann pursuant to a senior secured convertible debenture (the “MichiCann Debenture”). The MichiCann Debenture is non-interest bearing, other than in the event of default by MichiCann and matures on October 25, 2019 (the “Maturity Date”). The MichiCann Debenture is secured by way of first ranking security against the personal property of MichiCann. If the Proposed Transaction is not completed by the Maturity Date or MichiCann’s fails to comply with the terms of the MichiCann Debenture and MichiCann pursues an alternative go public transaction or a change of control transaction (an “Alternate Liquidity Transaction”), the Company may elect to convert, in whole or in part, the outstanding amount of the MichiCann Debenture into common shares of MichiCann at a price per MichiCann share that is the lesser if i) \$2.50 per MichiCann Share and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction. If the Proposed Transaction is not complete by October 25, 2019, MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%.

The initial fair value of the convertible debenture was determined to be \$15,000,000 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$2.50; conversion price of \$2.50; risk-free interest rate of 1.73%; dividend yield of 0%; stock price volatility of 125% ,an expected life of 0.50 years, and adjusted for a credit spread of 12.00% and a probability factor of 16% for the Alternate Liquidity Transaction.

As of July 31, 2019, the convertible debenture had an estimated fair value of \$15,000,000 using the Black-Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$2.50; conversion price of \$2.50; risk-free interest rate of 1.65%; dividend yield of 0%; stock price volatility of 52% an expected life of 0.07 years, and adjusted for a credit spread of 12.00% and a probability factor of 3% for the Alternate Liquidity Transaction. If the estimated volatility increase or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount. During the year ended July 31, 2019, there was no change in the estimated fair value for the convertible debenture.

Subsequent to year end, the Company entered into various amendments to the MichiCann Debenture to extend the Maturity Date to November 30, 2019. Pursuant to the terms of the amendments, if the Proposed Transaction is not complete by January 31, 2020, MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%.

Harborside Inc.

On November 18, 2018 the Company entered into a non-binding memorandum of understanding (“MOU”) with FLRish, Inc., the parent company of Harborside Inc. (“Harborside”). Pursuant to the terms of the MOU with FLRish, Inc., the Company has agreed to provide up to US\$10 million in royalty financing to prospective dispensary operators licensing the 'Harborside' brand. Each potential dispensary financing transaction will be assessed by the Company on a case-by-case basis and will be subject to the satisfactory completion of due diligence by the Company and the consummation of definitive documentation with the prospective dispensary operator.

In addition, the Company purchased 3,029 units (“Units”) for \$3,029,000 of senior unsecured convertible debenture units of FLRish, Inc (“Harborside Debenture”). Each Unit is comprised of: (A) one 12% unsecured convertible debenture, convertible into common shares of Harborside; (i) at the option of the holder at any time prior to the last business day immediately preceding the third anniversary date of the closing; and (ii) automatically upon a Harborside going-public transaction, at a conversion price equal to the lower of (i) \$6.90; and (ii) a 10% discount to the price of the common shares of Harborside as part of a qualifying transaction; and (B) 87 common share purchase warrants exercisable for a period of two years following the closing into common shares of Harborside at an exercise price of \$8.60 (subject to acceleration in the event of a “going public transaction”).

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(Expressed in Canadian dollars)

5. Convertible Debenture Receivable (continued)

The initial fair value of the convertible debenture was determined to be \$2,492,303 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$5.95; conversion price of \$6.90; risk-free interest rate of 1.91%; dividend yield of 0%; stock price volatility of 81%, an expected life of 0.53 years, and adjusted for a credit spread of 30.00% and a probability factor of 50% for the going public transaction. (See Note 8 (ii) for initial fair value of the warrants).

During the year ended July 31, 2019, Harborside completed a reverse-take over (“RTO”) of Lineage Grow Company. On June 10, 2019 Harborside commenced trading on the Canadian Securities Exchange under the symbol “HBOR.” Following the completion of the RTO, the debentures and accrued interest were converted into 567,205 common shares with an estimated fair value of \$ 3,573,392. The Company recognized a realized gain on change in fair value of investments in equity investments and convertible debentures of \$865,790 for the year ended July 31, 2019.

6. Promissory Note Receivable

On August 31, 2018, the Company entered into a definitive agreement, as amended by the Supplemental Agreement dated October 15, 2018 and the Second Supplemental Agreement dated December 26, 2018 (collectively, the “Framework Agreement”), with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis (“Diem”) to provide TDMA LLC, a Massachusetts subsidiary of Diem (“TDMA”) with up to US\$12.5 million (the “Funding”) over the next three years to develop and operate a large-scale cultivation and processing facility (the “Site”) and up to four dispensaries (the “Dispensaries”).

The Funding will be in the form of (i) promissory notes advanced at various stages of development of operations in the state; and (ii) the purchase price for real property acquisitions with respect to Sites and Dispensaries. Newly-formed subsidiaries of RLTY Development MA 1 LLC will acquire title to the real property purchased in respect of the Site and Dispensary acquisitions and will enter into leases (“Leases”) with TDMA (or its nominee) with respect to their operation. The Leases will be “triple net” and will include payments of (i) annual base rent; (ii) percentage rent calculated as 15% of net sales; and (iii) additional rent relating to the costs of property insurance, real estate taxes and any maintenance and repair.

The Funding will be secured by (i) guarantees of the payment and performance of all obligations of TDMA by Diem and certain of its subsidiaries (the “Entity Guarantors”) and key individuals (the “Individual Guarantors”); (ii) liens over all of the assets of the Entity Guarantors; and (iii) pledges by the Entity Guarantors and Individual Guarantors of all equity interests in Diem and/or its subsidiaries.

Once the Site and Dispensaries are operational and the Leases have been entered into, the Framework Agreement Promissory Note and all subsequently issued promissory notes (including interest accrued thereon) will be deemed satisfied in full.

During the year ended July 31, 2019, and pursuant to the Funding, the Company entered into various promissory note agreements (the “Framework Agreement Promissory Note”) with TDMA for \$3,216,274 (US \$2,446,208) (July 31, 2018 - \$Nil) as a working capital advance for licenses, Site build out, identification and negotiation of the purchase agreements for the Site and Dispensaries. The Framework Agreement Promissory Note bears interest of 10% per annum and is due on February 28, 2021, unless earlier satisfied as described below.

On August 23, 2019, the Company entered into a Termination of Framework Agreement (the “Termination”) with Diem. Pursuant to the termination, the Company will convey titles of certain properties (Note 7) to TDMA in exchange of two promissory notes (the “Property Promissory Note”) for US \$372,500. The Framework Agreement Promissory Note bears interest of 10% per annum and is due on August 31, 2021.

On September 26, 2019, the Company entered into a definitive Membership Interest Purchase Agreement (the “MIPA”) with TDMA to acquire all of the issued and outstanding equity in TDMA Orange, LLC, a Diem Cannabis subsidiary. Pursuant to the terms of the MIPA, the Company obtains 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts.

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6. Promissory Note Receivable (continued)

As consideration, the Company will forgive the Framework Agreement Promissory Note and Property Promissory Note including accrued interest, cross collateralization and general security arrangement.

Continuity for the years ended July 31, 2019 and 2018 is as follows:

	Total \$
Balance, July 31, 2018 and 2017	-
Funds advanced	3,216,274
Accrued interest	197,429
Foreign exchange	(1,282)
Balance, July 31, 2019	3,412,421

7. Land

Through the Company's wholly owned subsidiary and pursuant to the definitive agreement with Diem, RLTY Development Springfield LLC (the "Springfield Property") and RLTY Development Orange LLC (the "Orange Property"), the Company acquired two Sites. The Company acquired the two Sites for \$592,655.

Subsequent to July 31, 2019, the Springfield Property and a part of the Orange Property were sold (see Note 6).

8. Investments in Equity Securities

Continuity for the years ended July 31, 2019 and 2018 is as follows:

Fair value hierarchy level	Level 1	Level 3	Level 2	Total
	Harborside Inc. Common Shares	Harborside Inc. Warrants	Lighthouse Strategies, LLC	
Investments Measured at FVTPL	\$	\$	\$	\$
Balance, July 31, 2018 and 2017	-	-	-	-
Addition	3,571,614	536,697	6,574,000	10,682,311
Disposal	(2,984,461)	-	-	(2,984,461)
Unrealized loss on changes in fair value	-	(451,970)	(4,921,062)	(5,373,032)
Realized loss on changes in fair value	(583,898)	-	-	(583,898)
Foreign exchange	(3,255)	(2,666)	31,954	26,033
Balance, July 31, 2019	-	82,061	1,684,892	1,776,953

Harborside Inc.

(i) Common shares

On May 30, 2019, the Company received 567,205 common shares of Harborside upon the conversion of and as a payment for interest on the Harborside Debenture (Note 5). The shares had an initial fair value of \$3,571,614, based on the Harborside RTO offering price. During the year ended July 31, 2019, the Company sold all of its common shares for gross proceeds of \$2,984,461 and recorded a foreign exchange loss of \$3,255, and a realized loss on changes in fair value of investments in equity securities of \$583,898.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

8. Investments in Equity Securities (Continued)

(ii) Warrants

Pursuant to the terms of the Harborside Debenture (Note 5), the Company received 263,523 share purchase warrants. The initial fair value of the warrants was \$536,697 computed using the Black – Scholes option pricing model based on the following assumptions: estimated share price of \$5.95; exercise price of \$8.60; risk-free interest rate of 2.20%; dividend yield of 0%; stock price volatility of 81% and an expected life of 2 years. As at July 31, 2019, the warrants remain unexercised with a fair value of \$82,061 computed using the Black – Scholes option pricing model based on the following assumptions: estimated share price of \$3.10; exercise price of \$8.60; risk-free interest rate of 1.61%; dividend yield of 0%; stock price volatility of 81% and an expected life of 1.3 years. If the estimated volatility increase or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount. The Company recognized an unrealized loss on investments in equity securities of \$451,970 for the year ended July 31, 2019.

Lighthouse Strategies, LLC

On January 9, 2019 the Company closed its strategic investment of \$6,574,000 (US \$5,000,000) in Lighthouse Strategies LLC (“Lighthouse”) Series A membership units concurrently with a financing arrangement for certain Lighthouse beverage lines. Pursuant to the Financing Fee Agreement, the Company is entitled to 1% of net sales of certain of Lighthouse’s beverage lines, including Cannabiniers, Two Roots Brewing Co and Creative Waters Beverage Company (“Financing Fees”). Financing Fees will accrue until December 1, 2019, at which point the Company may choose to receive such fees in cash or Series A membership units of Lighthouse. Thereafter, financing fees are payable quarterly in cash. The terms of the Financing Fee Agreement are between four and six years, depending on certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control, or initial public offering). Management estimated that the 1% royalty of net sales had a fair value of \$Nil and the entire transaction price was allocated to the membership units.

As at July 31, 2019, the investment had an estimated fair value of \$1,684,892 based on Lighthouse’s most recent financing preceding July 31, 2019. The Company recognized an unrealized loss on investments in equity securities of \$4,921,062 for the year ended July 31, 2019.

9. Accounts Payable and Accrued Liabilities

	July 31, 2019	July 31, 2018
	\$	\$
Accounts payables	304,540	235,357
Accrued liabilities	32,000	76,000
	336,540	311,357

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10. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel.

Key management compensation for the years ended July 31, 2019 and 2018 is as follows:

	2019	2018
	\$	\$
Short-term employee benefits:		
Consulting fees	195,164	463,602
Salary and benefits	476,763	180,420
	671,927	644,022
Share-based compensation	1,403,282	1,651,395
Total	2,075,209	2,295,417

During the year, the Company paid \$4,000 in rent (2018 - \$9,100) to related parties comprised of directors, officers and companies with common directors.

As at July 31, 2019, the amount due to related parties was \$21,347 (2018 - \$18,685). The amounts are unsecured, non-interest bearing and due on demand.

11. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of Series 1 Convertible Preferred shares without par value, participating, each share convertible into one common share by the holder, and non-voting.

Issued and Outstanding

As at July 31, 2019, there were 50,900,000 (2018 - 40,000,000) Series 1 Convertible Preferred Shares and 292,607,662 (2018 - 227,787,662) common shares issued and outstanding.

Convertible Preferred Shares

During the year ended July 31, 2019:

During the year ended July 31, 2019, the Company issued 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of 40,000,000 of Preferred Share warrants. The Company received the proceeds during the year ended July 31, 2018. The Company reclassified \$2,000,000 from convertible preferred shares issuable to convertible preferred shares. During the year ended July 31, 2019, 29,100,000 convertible preferred shares were converted into common shares. The Company reclassified \$1,365,780 from convertible preferred shares to common shares.

During the year ended July 31, 2018:

On May 25, 2018, the Company issued 40,000,000 units in the capital of the Company at a price of \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one Series 1 Convertible Preferred share (a "Preferred Share") and one preferred share purchase warrant; each warrant (a "Warrant") is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date.

Common Shares

During the year ended July 31, 2019:

During the year ended July 31, 2019, the Company issued 17,810,000 common shares pursuant to the exercise of 17,810,000 warrants for gross proceeds of \$890,500.

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Notes to Consolidated Financial Statements

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11. Share Capital (Continued)

Issued and Outstanding (Continued)

On September 26, 2018, 4,000,000 special finder's warrants issued on May 25, 2018 with a carrying value of \$141,440 were converted into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one common share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. Upon conversion, the carrying value of \$141,440 was allocated to common shares and \$nil to the warrants based on the residual method.

On August 31, 2018, 12,690,000 special warrants and 1,220,000 special finders' warrants issued on April 26, 2018 with a carrying value of \$ 695,500 were converted into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one common share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 expiring on April 26, 2020. Upon conversion, the carrying value of \$695,500 was allocated to common shares and \$nil to the warrants based on the residual method.

For the year ended July 31, 2018:

On June 8, 2018, the Company converted 59,370,000 special warrants and 3,757,000 special finders' warrants issued on February 8, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one common share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. Upon conversion, the carrying value of \$3,156,350 was allocated to common shares and \$nil to the warrants based on the residual method.

On June 12, 2018, the Company issued 94,355,026 common shares at a price of \$0.33 per common share for gross proceeds of \$31,137,159. In consideration for their services, the underwriters received a cash commission of \$2,067,500 and the Company paid other legal and finder's fees of \$64,000. A total of 5,182,365 finder's warrants were granted with a fair value of \$1,209,136; each finder warrant entitling the holder to acquire one additional common share at \$0.33 for a period of 24 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.90%.

During the period ended July 31, 2018, the Company issued 5,050,000 common shares pursuant to the exercise of 5,050,000 warrants for gross proceeds of \$252,500.

On July 1, 2018, the Company converted 57,120,000 special warrants and 5,292,000 special finders' warrants issued on March 1, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. Upon conversion, the carrying value of \$2,856,000 was allocated to common shares and \$nil to the warrants based on the residual method.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

During the year ended July 31, 2019:

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11. Share Capital (Continued)

On August 16, 2018, the Company granted 1,000,000 stock options to an employee of the Company with an exercise price of \$0.73 (US \$ 0.56) with a term of 5 years. The options vest 12.5% every 3 months. The estimated fair value of the stock options was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.74(US \$ 0.50); exercise price - \$0.73(US \$ 0.56); expected life – 5 years, volatility – 147%, dividend yield - \$0; and risk-free rate – 2.18%. During the year ended July 31, 2019, the Company recognized \$145,052 in share-based compensation expense related to these stock options. During the year ended July 31, 2019, 1,000,000 of these stock options were forfeited.

On September 24, 2018, the Company granted 100,000 stock options to a consultant of the Company with an exercise price of \$0.31(US \$ 0.24) with a term of 2 years. The options vest 12.5% every 3 months. The estimated fair value of the stock options was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.31(US \$ 0.24); exercise price - \$0.31(US \$ 0.24); expected life – 2 years, volatility – 147%, dividend yield - \$0; and risk-free rate – 2.13%. During year ended July 31, 2019, the Company recognized \$12,274 in share-based compensation expense related to these stock options.

On December 12, 2018, the Company granted 5,750,000 stock options to consultants of the Company with an exercise price of \$0.15 (US\$ 0.12) with a term of 5 years. The options vest 12.5% every 3 months. The estimated fair value of the stock options was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.15 (US\$ 0.12); exercise price - \$0.15 (US\$ 0.12); expected life – 5 years, volatility – 147%, dividend yield - \$0; and risk-free rate – 2.07%. During year ended July 31, 2019, the Company recognized \$151,349 in share-based compensation expense related to these stock options. During the period ended July 31, 2019, 5,030,000 of these stock options were forfeited.

During the year ended July 31, 2019, the Company granted 20,327,039 stock options to directors, officers and consultants of the Company with an exercise price of \$0.34 (US\$ 0.26) with a term of 5 years and vested immediately. The estimated fair value of the stock options was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.34 (US\$ 0.26); exercise price - \$0.34 (US\$ 0.26); expected life – 5 years, volatility – 147%, dividend yield - \$0; and risk-free rate – 1.52%. During year ended July 31, 2019, the Company recognized \$6,426,936 in share-based compensation expense related to these stock options.

During the year ended July 31, 2018:

On June 22, 2018, the Company granted 16,468,727 stock options to various directors, officers and consultants of the Company with an exercise price of \$0.33 with a term of 5 years. 9,981,227 of the stock options vested immediately, with the remainder vesting 12.5% every 3 months. The estimated fair value of the stock options was measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life – 5 years, volatility – 147%, dividend yield - \$0; and risk-free rate – 1.98%. During the year ended July 31, 2018, the Company recognized \$3,250,476 in share-based compensation expense related to these stock options. During year period ended July 31, 2019, the Company recognized \$594,189 in share-based compensation expense related to these stock options. During the period ended July 31, 2019, 8,980,000 of these stock options were forfeited.

Continuity of stock options outstanding during the year ended July 31, 2019 and 2018 are as follows:

	Options outstanding	Weighted average exercise price \$
Balance, July 31, 2017	-	-
Issued	16,468,727	0.33
Balance, July 31, 2018	16,468,727	0.33
Forfeited	(15,010,000)	(0.30)
Issued	27,177,039	0.31
Balance, July 31, 2019	28,635,766	0.33

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11. Share Capital (Continued)

As at July 31, 2019, the outstanding and exercisable stock options are as follows:

Expiry Date	Exercise price \$	Number of options #	Exercisable options #
September 24, 2020	US\$0.24	100,000	37,500
April 26, 2024	US\$0.26	20,327,039	20,327,039
June 22, 2023	0.33	7,488,727	6,426,227
December 12, 2023	US\$0.12	720,000	180,000
	0.33	28,635,766	26,970,766

Special Warrants

On February 8, 2018, the Company completed a non-brokered private placement, of 59,370,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,968,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 3,757,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of \$187,850 was charged to warrant issue costs. On June 8, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On March 1, 2018, the Company completed a non-brokered private placement, of 57,120,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,856,000. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 5,292,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of the finder's warrants \$264,600 was charged to warrant issue costs. On July 1, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On April 30, 2018, the Company completed a non-brokered private placement, of 12,690,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$634,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 1,220,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The estimated fair value of the finder's warrants \$61,000 was charged to warrant issue costs. As at July 31, 2018, 13,910,000 special warrants and special finders' warrants were outstanding and a total of \$695,500 has been classified in warrant reserve in relation to these special warrants and special finders' warrants. On August 31, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

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11. Share Capital (Continued)

On May 25, 2018, the Company granted 4,000,000 special finders' warrants as finder's fees to the May 25, 2018 issuance with a fair value of \$141,440. The fair value of the special finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.05; exercise price - \$0.05; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.96%. Each special finders warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant on September 26, 2018. Each share purchase warrant is exercisable by the holder to acquire one additional common share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date of the convertible preferred share units. Accordingly these special finder's warrants are presented as an addition to warrant reserves on the Statement of Equity. As at July 31, 2018, 4,000,000 special finder's warrants were outstanding and a total of \$141,440 has been classified in warrant reserve in relation to these special warrants. On September 26, 2018, the Company converted the special finders' warrants into an equivalent number of units in the capital of the Company.

Common Share Purchase Warrants

The continuity of the Company's common share purchase warrants pursuant to the special warrants is as follows:

	Number of share purchase warrants #	Weighted average exercise price \$
Outstanding, July 31, 2017	-	-
Issued	130,721,365	0.06
Exercised	(5,050,000)	0.05
Outstanding, July 31, 2018	125,671,365	0.06
Issued	17,910,000	0.05
Exercised	(17,810,000)	0.05
Outstanding, July 31, 2019	125,771,365	0.06

As of July 31, 2019, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Exercise price \$	Number of warrants #
February 8, 2020	0.05	57,607,000
March 1, 2020	0.05	47,512,000
April 30, 2020	0.05	15,470,000
June 11, 2020	0.33	5,182,365
		125,771,365

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

12. Financial Instruments and Risks

(a) Fair Values and Classification

The Company's financial instruments consist of cash and cash equivalent, convertible debenture receivable, promissory note receivable, long-investments, accounts payable, due to related parties and loan payable. Financial instruments are classified into one of the following categories: FVTPL, FVTOC, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	July 31, 2019	July 31, 2018
Cash and cash equivalents	FVTPL	\$ 2,961,514	\$ 33,904,759
Convertible debenture receivable	FVTPL	15,000,000	-
Promissory note receivable	FVTPL	3,412,421	-
Investments in equity securities	FVTPL	1,766,953	-
Accounts payable	Amortized cost	304,540	235,357
Due to related parties	Amortized cost	21,347	18,685
Loans payable	Amortized cost	-	10,000

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

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

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	July 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 2,961,514	\$ -	\$ -	\$ 2,961,514
Convertible debenture receivable	-	-	15,000,000	15,000,000
Promissory note receivable	-	3,412,421	-	3,412,421
Investments in membership units	-	1,684,892	-	1,684,892
Investments in warrants	-	-	82,061	82,061

	July 31, 2018			Total
	Level 1	Level 2	Level 3	
Cash	\$ 33,904,759	\$ -	\$ -	\$ 33,904,759

Changes in level 3 items are as follows:

	Convertible debenture receivable	Investments in warrants
Balance, July 31, 2018 and 2017	\$ -	\$ -
Additions	17,492,303	536,697
Conversion of debenture	(3,365,556)	-
Unrealized loss on changes in fair value	-	(451,970)
Realized gain on changes in fair value	865,790	-
Foreign exchange	7,463	(2,666)
Balance, July 31, 2019	\$ 15,000,000	\$ 82,061

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

12. Financial Instruments and Risks (Continued)

(a) Fair Values and Classification (continued)

The fair value of accounts payables, due to related parties and loan payable approximates their carrying value due to their short-term maturity.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is equal to the carrying value of cash and cash equivalents, deposits, convertible debenture receivable and promissory note receivable.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal.

(c) Foreign Exchange Rate and Interest Rate Risk

Foreign exchange rate

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	July 31, 2019	July 31, 2018
Balance in US dollars:		
Cash and cash equivalents	\$ -	\$ 15,126,020
Prepaid expenses and deposits	250,000	
Promissory note receivable	2,595,392	-
Accounts payable	-	(46,138)
Net exposure	2,845,392	\$ 15,079,882
Balance in Canadian dollars:	\$ 3,741,121	\$ 19,629,482

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$374,000 for the year ended July 31, 2019 (July 31, 2017 - \$1,960,000).

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is exposed to interest rate risk with respect to its convertible debenture receivable (see Note 5) and its promissory note receivable (see Note 6).

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

12. Financial Instruments and Risks (Continued)

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do so relies on the Company raising equity financing in a timely manner. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14.

The following are contractual maturities of financial liabilities as at July 31, 2019:

	Carrying amount	Contractual cash flows	Within 1 year
Accounts payable and accrued liabilities	\$ 336,540	\$ 336,540	\$ 336,540
Due to related parties	21,347	21,347	21,347

The following are contractual maturities of financial liabilities as at July 31, 2018:

	Carrying amount	Contractual cash flows	Within 1 year
Accounts payable and accrued liabilities	\$ 311,357	\$ 311,357	\$ 311,357
Due to related parties	18,685	18,685	18,685
Loans payable	10,000	10,000	10,000

13. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2019 \$	2018 \$
Net loss before income taxes	(18,611,721)	(7,825,089)
Canadian statutory income tax rate	27.00%	26.50%
Expected income tax recovery at statutory rate	5,025,165	2,073,649
Tax effect of:		
Other non-deductible expense	2,095,667	(96,209)
Difference between income tax rates	(303,226)	-
Change in tax rate	-	20,314
Change in unrecognized deferred tax assets	(6,817,606)	(1,997,754)
Income tax recovery	-	-

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

13. Income Taxes (Continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	7,583,620	1,753,878
Resource pools	694,023	681,172
Investment in equity securities	1,121,010	-
Share issuance costs	473,032	619,029
Total gross deferred income tax assets	9,871,685	3,054,079
Unrecognized deferred tax assets	(9,871,685)	(3,054,079)
Net deferred income tax assets	-	-

As at July 31, 2018, the Company has non-capital losses carried forward of approximately \$28,088,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
2038	5,125,000
2039	22,268,000
	28,088,000

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$2,570,000 (2018 - \$2,570,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

14. Capital Management

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is through the issuance of equity. Management considers all components of shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2019.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

15. Segment Information

The Company currently operates in a single reportable operating segment.

For the year ended July 31, 2019, the Company operated in two geographical areas being Canada and the United States of America.

	Canada	United States of America	Total
Non-current assets other than financial instruments	\$ -	\$ 592,655	\$ 592,655

For the year ended July 31, 2018, non-current assets other than financial instruments were located in Canada.

16. Commitments

Office Premises

During the year ended July 31, 2019, the Company entered into an office lease. The lease expires on September 2, 2020 and has the following estimated annual payments:

	\$
2020	294,205
2021	49,034
	343,239

Definitive Agreement

On May 13, 2019, the Company entered into a share exchange agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). Pursuant to the Definitive Agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of the Company for 1 MichiCann common share ("Exchange Ratio"). Upon completion of the Proposed Transaction, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company, respectively on a fully diluted basis at the time the transaction was first announced on February 14, 2019. The Proposed Transaction is expected to be a reverse take-over of the Company by MichiCann. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase common shares of the Company based on the Exchange Ratio. The Proposed Transaction will be completed by way of a three-cornered amalgamation ("Amalgamation"), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

The Definitive Agreements contemplates the following terms:

- The Company will complete a share consolidation on an 8:1 basis;
- Change its name to "Red White & Bloom Inc." or such other name as may be approved by the board of directors;
- Reconstitute the board to include a total of up to 6 directors, of which 4 are nominees of MichiCann and 2 existing board members of the Company.

As at November 28, 2019, the transaction had not yet closed.

TIDAL ROYALTY CORP.

Notes to Consolidated Financial Statements

Years ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

17. Subsequent Events

- a) Subsequent to year end, the Company issued 9,165,000 common shares pursuant to warrant exercises for gross proceeds of \$458,250.
- b) Subsequent to year end, the Company entered into a definitive Membership Interest Purchase Agreement and obtained 100% interest in two covenant cultivation licenses and a processing license (Collectively, "Licenses") in the county of Orange, in the Commonwealth of the state of Massachusetts in lieu of the forgiveness of the Framework Agreement Promissory Note (Note 6).



Financial Statements

Years Ended July 31, 2018 and 2017

(Expressed in Canadian dollars)



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Tidal Royalty Corp.

Opinion on the Financial Statements

We have audited the accompanying financial statements of Tidal Royalty Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
October 30, 2018

We have served as the Company's auditor since 2011

TIDAL ROYALTY CORP.

Statements of Financial Position

(Expressed in Canadian dollars)

As at July 31,	Note	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 33,904,759	\$ 20,265
Sales tax receivable		129,415	858
Prepaid expenses and deposits	4	531,859	1,211
TOTAL ASSETS		\$ 34,566,033	\$ 22,334
LIABILITIES AND EQUITY (DEFICIENCY)			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	5	\$ 311,357	\$ 105,225
Due to related parties	6	18,685	22,766
Loans payable	7	10,000	30,000
TOTAL CURRENT LIABILITIES		340,042	157,991
EQUITY (DEFICIENCY)			
Convertible preferred shares	8	1,754,721	-
Convertible preferred shares issuable	8	2,000,000	-
Common shares	8	45,432,573	12,297,109
Reserves	8	5,324,016	27,464
Accumulated deficit		(20,285,319)	(12,460,230)
		34,225,991	(135,657)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		\$ 34,566,033	\$ 22,334

Nature of Operations (Note 1)

Commitment (Note 13)

Subsequent events (Note 14)

Approved on behalf of the Board of Directors:

"Brian Penny"

Brian Penny, Director

"Theo van der Linde"

Theo van der Linde, Director

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

For the year ended July 31,	2018	2017
Expenses		
Advertising and promotion	\$ 1,164,458	\$ 1,508
Investor relations	31,851	-
Consulting fees (Note 6)	1,933,550	6,000
General and administration	93,861	1,285
Foreign exchange loss	377,265	-
Share-based compensation (Notes 6 and 8)	3,250,476	-
Salaries and benefits (Note 6)	244,526	-
Rent (Note 6)	84,670	-
Professional fees	461,195	14,717
Transfer agent and filing fees	76,869	5,919
Travel	106,368	2,995
Net loss and comprehensive loss for the year	\$ (7,825,089)	\$ (32,424)
Loss per share, basic and diluted for the year	\$ (0.26)	\$ (0.01)
Weighted average number of common shares outstanding	30,039,081	2,843,636

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.
Statements of Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of convertible preferred shares	Convertible preferred shares \$	Convertible preferred shares issuable \$	Number of common shares	Common shares \$	Share-based payment reserve \$	Warrant reserve \$	Total reserves \$	Accumulated deficit \$	Total shareholders' equity (deficiency) \$
Balance, July 31, 2016	-	-	-	2,843,636	12,297,109	27,464	-	27,464	(12,427,806)	(103,233)
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(32,424)	(32,424)
Balance, July 31, 2017	-	-	-	2,843,636	12,297,109	27,464	-	27,464	(12,460,230)	(135,657)
Issuance of preferred shares	40,000,000	2,000,000	-	-	-	-	-	-	-	2,000,000
Exercise of preferred shares purchase warrants	-	-	2,000,000	-	-	-	-	-	-	2,000,000
Fair value of preferred shares finders' warrants	-	(141,440)	-	-	-	-	141,440	141,440	-	-
Issuance of 59,370,000 special warrants	-	-	-	-	-	-	2,968,500	2,968,500	-	2,968,500
Issuance of 3,757,000 finders' special warrants	-	-	-	-	(187,850)	-	187,850	187,850	-	-
Issuance of 57,120,000 special warrants	-	-	-	-	-	-	2,856,000	2,856,000	-	2,856,000
Issuance of 5,292,000 finders' special warrants	-	-	-	-	(264,600)	-	264,600	264,600	-	-
Issuance of 12,690,000 special warrants	-	-	-	-	-	-	634,500	634,500	-	634,500
Issuance of 1,220,000 finders' special warrants	-	-	-	-	(61,000)	-	61,000	61,000	-	-
Conversion of special warrants	-	-	-	116,490,000	5,824,500	-	(5,824,500)	(5,824,500)	-	-
Conversion of 3,757,000 finders' special warrants	-	-	-	3,757,000	187,850	-	(187,850)	(187,850)	-	-
Conversion of 5,292,000 finders' special warrants	-	-	-	5,292,000	264,600	-	(264,600)	(264,600)	-	-
Private placements	-	-	-	94,355,026	31,137,159	-	-	-	-	31,137,159
Proceeds from warrants exercised	-	-	-	5,050,000	252,500	-	-	-	-	252,500
Share issuance costs	-	(103,839)	-	-	(4,017,695)	-	1,209,136	1,209,136	-	(2,912,398)
Share-based compensation	-	-	-	-	-	3,250,476	-	3,250,476	-	3,250,476
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(7,825,089)	(7,825,089)
Balance, July 31, 2018	40,000,000	1,754,721	2,000,000	227,787,662	45,432,573	3,277,940	2,046,076	5,324,016	(20,285,319)	34,225,991

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Statements of Cash Flows

(Expressed in Canadian dollars)

For the year ended July 31,	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (7,825,089)	\$ (32,424)
Items not affecting operating cash:		
Share-based payments	3,250,476	-
	(4,574,613)	(32,424)
Net changes in non-cash working capital:		
Sales tax receivable	(128,557)	1,491
Prepaid expense	(530,648)	(1,211)
Accounts payables and accrued liabilities	206,132	47,838
	(5,027,686)	15,694
FINANCING ACTIVITIES		
Due to related parties	(4,081)	(27,014)
Shares issued for cash	-	-
Repayment of loan	(60,000)	-
Proceeds from loan	40,000	30,000
Proceeds from exercise of common share purchase warrants	252,500	-
Proceeds from private placement of special warrants	6,459,000	-
Proceeds from issuance of preferred units and exercise of preferred share purchase warrants	4,000,000	-
Proceeds from private placement of common shares	31,137,159	-
Share issuance costs	(2,912,398)	-
	38,912,180	2,986
Increase in cash and cash equivalents	33,884,494	18,680
Cash and cash equivalents, beginning of the year	20,265	1,585
Cash and cash equivalents, end of the year	\$ 33,904,759	\$ 20,265
The components of cash and cash equivalents are:		
Cash at bank	\$ 33,789,759	\$ 20,265
Term deposit	115,000	-
	\$ 33,904,759	\$ 20,265
Non-cash Investing and Financing Activities		
Finders' warrants issued pursuant to private placement	\$ 1,209,136	\$ -
Finders' warrants issued pursuant to special warrant issuance	513,450	-
Preferred share finders' warrants	141,440	-
Conversion of special warrants	\$ 6,276,950	\$ -

The accompanying notes are an integral part of these financial statements

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

1. Nature of Operations

Tidal Royalty Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Tremingo Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company's planned business is to invest in conventional equity, debt and other forms of investments in private and public companies in Canada and the United States.

The head office, address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issuance by the Board of Directors on October 30, 2018.

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As of July 31, 2018, the Company held cash and a term deposit.

(b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

(c) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash and cash equivalents as financial assets at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

TIDAL ROYALTY CORP.

Notes to Financial Statements
Years ended July 31, 2018 and 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets classified as loans and receivables.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

TIDAL ROYALTY CORP.

Notes to Financial Statements
Years ended July 31, 2018 and 2017
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3. Significant Accounting Policies (continued)

(e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in-the-money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

(h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(i) Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common and convertible preferred shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The proceeds from issuance of units are allocated between shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the shares at the time the units are issued and any residual value is allocated to warrant reserve.

(j) Changes in Accounting Standards Issued

(i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2017 that affected the Company's financial statements.

(ii) Accounting Standards Issued But Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect that the new standard will have a significant impact on its financial statements.

IFRS 9 Financial Instruments – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect that the new standard will have a significant impact on its financial statements.

TIDAL ROYALTY CORP.

Notes to Financial Statements
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(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(j) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued But Not Yet Effective: (continued)

IFRS 2 Share-based Payment - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company does not expect that the new standard will have a significant impact on its financial statements.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company does not expect that the new standard will have a significant impact on its financial statements.

4. Prepaid Expenses and Deposits

	July 31, 2018	July 31, 2017
	\$	\$
Insurance	72,621	-
Advertising and promotion	89,894	1,211
Consulting	322,891	-
Deposits	46,453	-
	531,859	1,211

5. Accounts Payable and Accrued Liabilities

	July 31, 2018	July 31, 2017
	\$	\$
Trade payables	235,357	97,225
Accrued liabilities	76,000	8,000
	311,357	105,225

TIDAL ROYALTY CORP.

Notes to Financial Statements
Years ended July 31, 2018 and 2017
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6. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the years ended July 31, 2018 and 2017:

	2018	2017
	\$	\$
Consulting fees	463,602	6,000
Rent	9,100	-
Salaries and benefits	180,420	-
Share-based compensation	1,651,395	-
Total	2,304,517	6,000

The amounts due to related parties consist of the following as at July 31, 2018 and 2017:

	2018	2017
	\$	\$
Due to related parties	18,685	22,766

Amounts due to related parties are unsecured, non-interest bearing and due on demand.

7. Loans Payable

During the year ended July 31, 2018, the Company received additional loan of \$40,000 (2017 - \$20,000) from an arm's length party for working capital purposes and repaid \$60,000 to this party.

As at July 31, 2018, the Company had one loan payable of \$10,000 (2017 - \$10,000). The loan is unsecured, non-interest bearing and due on demand.

8. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of Series 1 Convertible Preferred shares without par value, participating, each share convertible into one common share, and non-voting.

Issued and Outstanding

As at July 31, 2018, there were 40,000,000 Series 1 Convertible Preferred Shares and 227,787,662 common shares issued and outstanding.

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

8. Share Capital (continued)

Convertible Preferred Shares

On May 25, 2018, the Company issued 40,000,000 units in the capital of the Company at a price of \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one Series 1 Convertible Preferred share (a "Preferred Share") and one preferred share purchase warrant; each warrant (a "Warrant") is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date.

A total of 4,000,000 special finders' warrants as finder's fees to the May 25, 2018 issuance were granted with a fair value of \$141,440. The fair value of the special finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.05; exercise price - \$0.05; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.96%. As at July 31, 2018, 4,000,000 of these special warrants were outstanding.

Each special finders warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant on September 26, 2018. Each share purchase warrant is exercisable by the holder to acquire one additional common share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date of the convertible preferred share units. Accordingly these special purchase warrants are presented as an addition to warrant reserves on the Statement of Equity. The special finder's warrants were converted into an equivalent number of units in the capital of the Company on September 26, 2018. As of October 30, 2018, the Company has not yet issued the 4,000,000 units in the Company pursuant to the conversion of the 4,000,000 special finders' warrants.

Convertible Preferred Shares Issuable

On July 28, 2018, the holders of the 40,000,000 preferred share purchase warrants exercised these warrants and paid the \$0.05 exercise price for total proceeds of \$2,000,000. As of July 31, 2018 and October 30, 2018, the Company has not yet issued the 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of the 40,000,000 preferred share purchase warrants.

Common Shares

For the year ended July 31, 2018:

On June 8, 2018, the Company converted 59,370,000 special warrants and 3,757,000 special finders' warrants issued on February 8, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.

On June 12, 2018, the Company issued 94,355,026 common shares at a price of \$0.33 per common share for gross proceeds of \$31,137,159. In consideration for their services, the underwriters received a cash commission of \$2,067,500 and the Company paid other legal and finder's fees of \$64,000. A total of 5,182,365 finder's warrants were granted with a fair value of \$1,209,136; each finder warrant entitling the holder to acquire one additional common share at \$0.33 for a period of 24 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.90%.

During the period ended July 31, 2018, the Company issued 5,050,000 common shares pursuant to the exercise of 5,050,000 warrants for gross proceeds of \$252,500.

On July 1, 2018, the Company converted 57,120,000 special warrants and 5,292,000 special finders' warrants issued on March 1, 2018 into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.

For the year ended July 31, 2017:

There were no issuances of common shares in the year.

TIDAL ROYALTY CORP.

Notes to Financial Statements
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8. Share Capital (continued)

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

On June 22, 2018, the Company granted 16,468,727 stock options to various directors, officers and consultants of the Company with an exercise price of \$0.33 with a term of 5 years. 9,981,227 of the stock options vested immediately, with the remainder vesting 12.5% every 3 months. The estimated fair value of the stock options was \$3,250,476, measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 5 years, volatility - 147%, dividend yield - \$0; and risk-free rate - 1.98%. During the year ended July 31, 2018, the Company recognized \$3,250,476 in share-based compensation expense related to these stock options.

As at July 31, 2018, the outstanding stock options expire on June 22, 2023 and have a weighted average remaining contractual life of 4.9 years. The number of exercisable options is 9,981,227.

As at July 31, 2018, the outstanding and exercisable stock options are as follows:

	Options outstanding	Options exercisable	Weighted average exercise price \$
Balance, July 31, 2016	75,000	75,000	0.18
Expired/Cancelled	(75,000)	(75,000)	0.18
Balance, July 31, 2017	-	-	-
Issued	16,468,727	9,981,227	0.33
Balance, July 31, 2018	16,468,727	9,981,227	0.33

Special Warrants

On February 8, 2018, the Company completed a non-brokered private placement, of 59,370,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,968,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 3,757,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of \$187,850 was charged to warrant issue costs. On June 8, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

TIDAL ROYALTY CORP.

Notes to Financial Statements
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8. Share Capital (continued)**Special Warrants (continued)**

On March 1, 2018, the Company completed a non-brokered private placement, of 57,120,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,856,000. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 5,292,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The estimated fair value of the finder's warrants \$264,600 was charged to warrant issue costs. On July 1, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On April 30, 2018, the Company completed a non-brokered private placement, of 12,690,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$634,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 1,220,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The estimated fair value of the finder's warrants \$61,000 was charged to warrant issue costs. As at July 31, 2018, 13,910,000 special warrants were outstanding and on August 31, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company. As at July 31, 2018, a total of \$695,500 has been classified in warrant reserve in relation to these special warrants.

Common Share Purchase Warrants

The continuity of the Company's share purchase warrants pursuant to the special warrants is as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding, July 31, 2016 and 2017	-	\$ -
Issued	125,539,000	0.05
Exercised	(5,050,000)	0.05
Outstanding, July 31, 2018	120,489,000	\$ 0.05

As of July 31, 2018, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Exercise price	Number of warrants
June 8, 2020	\$ 0.05	59,777,000
July 1, 2020	0.05	60,712,000
		120,489,000

TIDAL ROYALTY CORP.

Notes to Financial Statements
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8. Share Capital (continued)

Finders' Warrants

A continuity schedule of the Company's outstanding finders' warrants is as follows:

	Number of share purchase warrants	Weighted average exercise price
Outstanding, July 31, 2016 and 2017	-	\$ -
Issued	5,182,365	0.33
Outstanding, July 31, 2018	5,182,365	\$ 0.33

As at July 31, 2018, the outstanding finder's warrants expire on June 11, 2020 and have a weighted average remaining contractual life of 1.87 years. The number of exercisable finders' warrants is 5,182,365.

9. Financial Instruments and Risks

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

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

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

July 31, 2018				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 33,904,759	\$ -	\$ -	\$ 33,904,759

July 31, 2017				
	Level 1	Level 2	Level 3	Total
Cash	\$ 20,265	\$ -	\$ -	\$ 20,265

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is limited by its liquidity.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal. Credit risk with respect to receivables has been assessed as low by management as the majority of receivables are government input tax credits refundable.

TIDAL ROYALTY CORP.

Notes to Financial Statements
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9. Financial Instruments and Risks (continued)

(c) Foreign Exchange Rate and Interest Rate Risk

Foreign exchange rate

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. At July 31, 2018, the Company has cash of \$15,126,020 and accounts payable of \$46,138 denominated in the United States dollar. A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$1,960,000.

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to any significant interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 11.

The following are contractual maturities of financial liabilities as at July 31, 2018:

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years
Accounts payable	\$ 235,357	\$ 235,357	\$ 235,357	\$ -
Due to related parties	18,685	18,685	18,685	-
Loans payable	10,000	10,000	10,000	-

The following are contractual maturities of financial liabilities as at July 31, 2017:

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years
Accounts payable	\$ 97,225	\$ 97,225	\$ 97,225	\$ -
Due to related parties	22,766	22,766	22,766	-
Loans payable	30,000	30,000	30,000	-

TIDAL ROYALTY CORP.

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10. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2018 \$	2017 \$
Net loss before income taxes	(7,825,089)	(32,424)
Canadian statutory income tax rate	26.50%	26%
Expected income tax recovery at statutory rate	2,073,649	8,430
Tax effect of:		
Other non-deductible expense	(96,209)	(124)
Change in tax rate	20,314	
Change in unrecognized deferred tax assets	(1,997,754)	(8,306)
Income tax recovery	-	-

The significant components of deferred income tax assets and liabilities are as follows:

	2018 \$	2017 \$
Deferred income tax assets:		
Non-capital losses carried forward	1,753,878	180,670
Resource pools	681,172	875,655
Share issuance costs	619,029	-
Total gross deferred income tax assets	3,054,079	1,056,325
Unrecognized deferred tax assets	(3,054,079)	(1,056,325)
Net deferred income tax assets	-	-

As at July 31, 2018, the Company has non-capital losses carried forward of approximately \$5,821,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
2038	5,923,500
	<u>6,618,500</u>

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$2,570,500 (2017 - \$3,368,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

TIDAL ROYALTY CORP.

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11. Capital Management

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is through the issuance of equity. Management considers all components of shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2018.

12. Segment Information

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.

13. Commitment

During the year ended July 31, 2018, the Company entered into an office lease. The lease expires on September 2, 2020 and has the following estimated annual payments:

	\$
2019	257,441
2020	257,441
2021	42,907
	<u>557,789</u>

TIDAL ROYALTY CORP.

Notes to Financial Statements

Years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

14. Subsequent Events

- (a) On August 15, 2018, the Company issued 1,000,000 stock options to an employee. The options are exercisable at US\$0.56 per share with a term of 5 years, with vesting terms of 12.5% every 3 months.
- (b) On August 27, 2018, the Company entered into a binding letter of intent (“LOI”) with CannaRoyalty Corp. (“CannaRoyalty”) to acquire 1,500 units in Alternative Medical Enterprises, LLC (“AltMed”) and a royalty on U.S. and international sales of the MüV™ product line for aggregate consideration of \$7,000,000 in cash and \$1,000,000 in common stock, respectively. The number of common shares to be issued is to be computed using the 20-day volume weighted average price of the Company’s common shares on the trading day immediately prior to the closing date. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals.
- (c) On August 31, 2018, the Company entered into a definitive agreement with Diem Cannabis (“Diem”) to provide Diem with up to US\$12.5 million (the “Financing”) over the next three years to develop and operate a large-scale cultivation and processing facility and up to four dispensaries. The Financing will be secured by all of Diem assets and 100% of all shares, membership interest and other equity interests in Diem. The Company will be entitled to 15% of all net sales generated by the financed operations in Massachusetts. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals.
- (d) Subsequent to the year ended July 31, 2018, the Company issued an aggregate of 12,700,000 common shares from the exercise of common share purchase warrants for gross proceeds of \$635,000.
- (e) On August 31, 2018, the Company converted 13,910,000 special warrants into an equivalent number of units in the capital of the Company. Each unit comprises of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months.
- (f) On September 26, 2018, the 4,000,000 special finder’s warrants converted into an equivalent number of units in the capital of the Company. As of October 30, 2018, the Company has not yet issued the 4,000,000 units in the capital of the Company pursuant to the conversion of the 4,000,000 special finders’ warrants.
- (g) On September 14, 2018, the Company issued 100,000 stock options to a consultant. The options are exercisable at US\$0.24 per share with a term of 2 years, with vesting terms of 12.5% every 3 months.
- (h) The Company intends to make a \$3,000,000 equity investment in an arms-length cannabis brands company (“California Company”) that owns and operates two dispensaries and a cultivation facility in California. Each purchased unit will consist of one 12.0% unsecured convertible debenture of the California Company in the principal amount of \$1,000 and 87 common share purchase warrants of the California Company, each exercisable for one common share at an exercise price of \$8.60 for a period of 2 years. The Company’s subscription amount is currently being held in escrow pending closing. If the closing does not occur, the entire subscription amount will be returned to the Company.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Financial Statements

Years Ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)

We have audited the accompanying financial statements of Tidal Royalty Corp. which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of comprehensive loss, changes in deficiency and cash flows for the years ended July 31, 2017 and 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tidal Royalty Corp. at July 31, 2017 and 2016, and its financial performance and its cash flows for the years ended July 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Tidal Royalty Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 31, 2017

TIDAL ROYALTY CORP.
(formerly Tulloch Resources Ltd.)
Statements of Financial Position
As At July 31, 2017 and 2016
(Expressed in Canadian dollars)

	July 31, 2017 \$	July 31, 2016 \$
Assets		
Current assets		
Cash	20,265	1,585
Sales tax receivable	858	2,349
Prepaid expenses	1,211	-
Total assets	22,334	3,934
Liabilities and Deficiency		
Current liabilities		
Accounts payable and accrued liabilities	105,225	57,387
Due to related parties (Note 4)	22,766	49,780
Loans payable (Note 5)	30,000	-
Total current liabilities	157,991	107,167
Deficiency		
Share capital (Note 6)	12,297,109	12,297,109
Contributed surplus	27,464	27,464
Deficit	(12,460,230)	(12,427,806)
Total deficiency	(135,657)	(103,233)
Total liabilities and deficiency	22,334	3,934

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board on October 31, 2017

"Stuart Wooldridge"
Stuart Wooldridge, Director

"Theo van der Linde"
Theo van der Linde, Director

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	July 31, 2017	July 31, 2016
	\$	\$
Expenses		
Advertising and promotion	1,508	6,083
Consulting fees (Note 4)	6,000	31,480
General and administration	1,285	12,518
Professional fees	14,717	8,679
Transfer agent and filing fees	5,919	-
Travel	2,995	-
Net loss and comprehensive loss for the year	<u>(32,424)</u>	<u>(58,760)</u>
Loss per share, basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding	<u>2,843,636</u>	<u>2,768,795</u>

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.
(formerly Tulloch Resources Ltd.)
Statements of Changes in Deficiency
(Expressed in Canadian dollars)

	Share capital		Share subscriptions \$	Contributed surplus \$	Deficit \$	Total \$
	Number of Shares	Amount \$				
Balance, July 31, 2015	2,660,303	12,242,109	45,000	27,464	(12,369,046)	(54,473)
Shares issued for cash	183,333	55,000	(45,000)	-	-	10,000
Net loss for the year	-	-	-	-	(58,760)	(58,760)
Balance, July 31, 2016	2,843,636	12,297,109	-	27,464	(12,427,806)	(103,233)
Net loss for the year	-	-	-	-	(32,424)	(32,424)
Balance, July 31, 2017	2,843,636	12,297,109	-	27,464	(12,460,230)	(135,657)

On June 26, 2017, the Company completed a one-for-three share consolidation. All references to share capital, warrants, options and per share data have been adjusted retrospectively to reflect the Company's one-for-three share consolidations for the years ended July 31, 2017 and 2016.

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

For the Years Ended July 31, 2017 and 2016

Statements of Cash Flows

(Expressed in Canadian dollars)

	July 31, 2017	July 31, 2016
	\$	\$
<hr/>		
Cash provided by (used in):		
Operating activities		
Net loss for the year	(32,424)	(58,760)
Changes in non-cash operating working capital:		
Sales tax receivable	1,491	486
Prepaid expenses	(1,211)	-
Accounts payable and accrued liabilities	47,838	8,114
Net cash generated by (used in) operating activities	15,694	(50,160)
Financing activities		
Due to related parties	(27,014)	32,627
Loans payable	30,000	-
Shares issued for cash	-	10,000
Net cash provided by financing activities	2,986	42,627
Increase (decrease) in cash	18,680	(7,533)
Cash, beginning of year	1,585	9,118
Cash, end of year	20,265	1,585
Supplemental disclosures:		
Interest paid	-	-
Income tax paid	-	-

(The accompanying notes are an integral part of these financial statements)

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Tidal Royalty Corp. (formerly Tulloch Resources Ltd.) ("the Company") was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company has historically been engaged in the identification of mineral properties for acquisition and exploration. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US .

The head office, address and records office of the Company are located at Suite 2900 – 595 Burrard Street, P.O. Box 49130, Vancouver, British Columbia, V7X 1J5.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at July 31, 2017, the Company has no source of revenue, generates negative cash flows from operating activities, and has a working capital deficit of \$135,657 and an accumulated deficit of \$12,460,230. These factors give rise to a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to identify projects and negotiate suitable arrangements, maintain support from its significant shareholders and obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from financing from related parties to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were approved and authorized for issuance by the Board of Directors on October 31, 2017.

The financial statements have been prepared on a historical cost basis except for financial instruments described in Note 3(d), which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

2. Basis of Preparation and Statement of Compliance (continued)

Use of Estimates and Judgments (continued)

i) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

iii) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers cash equivalents are highly liquid instruments with a maturity of three months or less at the time of issuance or are readily redeemed into known amounts of cash. As at July 31, 2017, the Company held cash only.

(b) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. The Company classified cash as financial assets at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company does not have any financial assets classified as available-for sale.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial assets classified as loans and receivables.

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and amounts due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(e) Foreign Currency Translation

The functional currency of the Company is Canadian dollar, which is the currency of the primary economic environment in which that Company operates.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date which is approximated by an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(g) Share-based Payments

The Company grants share-based awards to employees, directors and non-employees as an element of compensation. The fair value of the awards granted to employees and directors is recognized over the vesting period as share-based compensation expense and share-based payment reserve. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against share-based payment reserve. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in share-based payment reserve, are credited to share capital.

Share-based payment arrangements with non-employees in which the Company receives goods or services are measured based on the estimated fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(h) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

(i) Changes in Accounting Standards Issued

(i) There were no new or revised accounting standards scheduled for mandatory adoption on August 1, 2016 that affected the Company's financial statements.

(ii) Accounting Standards Issued But Not Yet Effective:

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods with early adoption permitted. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standards effective for annual periods beginning on or after January 1, 2018:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments – In November 2009, as part of the IASB project the ASB intends to replace IAS 39 - Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flows characteristics. The standard is effective for annual periods beginning on or after January 1, 2018.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

(i) Changes in Accounting Standards Issued (continued)

(ii) Accounting Standards Issued But Not Yet Effective: (continued)

IFRS 2 Share-based Payment - In November 2016, the IASB has revised IFRS 2 to incorporate amendments issued by the IASB in June 2016. The amendment provide guidance on the accounting for i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; ii) share-based payment transactions with a net settlement feature for withholding tax obligations and iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Standard is effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

4. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were incurred during the years ended July 31, 2017 and 2016.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The short-term key management compensation and director fees consist of the following for the years ended July 31, 2017 and 2016:

	2017	2016
	\$	\$
Consulting fees to companies owned by common directors	-	25,000
Consulting fees to companies owned by officers	6,000	-
Total	6,000	25,000

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

4. Related Party Transactions and Balances (continued)

The amounts due to related parties consist of the following as at July 31, 2017 and 2016:

	2017	2016
	\$	\$
Due to related parties	22,766	49,780

A loan of \$10,000 is included in the amount of due to related parties above and it is for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

5. Loans Payable

As at July 31, 2017, the Company issued loans payable of \$30,000 (2016 - \$Nil). The loans are unsecured, non-interest bearing and due on demand.

6. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of preferred shares without par value.

Issued and Outstanding

On June 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the Company issued 33,333 common shares at \$0.30 per share for gross proceeds of \$10,000. The Company also issued 150,000 common shares at \$0.30 per share for \$45,000 of share subscriptions received during the year ended July 31, 2015.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

TIDAL ROYALTY CORP.
(formerly Tulloch Resources Ltd.)
Notes to Financial Statements
For the Years ended July 31, 2017 and 2016
(Expressed in Canadian dollars)

6. Share Capital (continued)

Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Options outstanding and exercisable	Weighted average exercise price \$
Balance, July 31, 2015	158,333	0.18
Expired	(83,333)	0.15
Balance, July 31, 2016	75,000	0.18
Expired/Cancelled	(75,000)	0.18
Balance, July 31, 2017	-	-

As at July 31, 2017, there were no stock options outstanding and exercisable.

7. Financial Instruments and Risks

(a) Fair Values

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	July 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 20,265	\$ -	\$ -	\$ 20,265

	July 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,585	\$ -	\$ -	\$ 1,585

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

7. Financial Instruments and Risks (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

During the years ended July 31, 2017 and 2016, the Company held financial assets and liabilities and incurred expenses denominated primarily in Canadian dollars. The Company does not have significant foreign exchange risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do this relies on the Company raising equity financing in a timely manner. As at July 31, 2017, the Company has a working capital deficiency and requires additional funds from financing to meet its current obligations (see Note 1). The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9.

The following are contractual maturities of financial liabilities as at July 31, 2017:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years
Accounts payable	\$ 97,225	\$ 97,225	\$ 97,225	\$ -
Due to related parties	\$ 22,766	\$ 22,766	\$ 22,766	\$ -

8. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Net loss before income taxes	(32,424)	(58,760)
Canadian statutory income tax rate	26%	26%
Expected income tax recovery at statutory rate	8,430	15,278
Tax effect of:		
Other non-deductible expense	(124)	276
Change in unrecognized deferred tax assets	(8,306)	(15,554)
Income tax recovery	-	-

TIDAL ROYALTY CORP.

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Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

8. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2017	2016
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	180,670	172,211
Resource pools	875,655	875,655
Share issuance costs	-	153
Total gross deferred income tax assets	1,056,325	1,048,019
Unrecognized deferred tax assets	(1,056,325)	(1,048,019)
Net deferred income tax assets	-	-

As at July 31, 2017, the Company has non-capital losses carried forward of approximately \$695,000 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2030	300
2031	96,900
2032	139,400
2033	225,600
2034	18,300
2035	122,000
2036	60,000
2037	32,500
	695,000

The Company also has certain allowances in respect of resource development and exploration costs of approximately \$3,368,000 (2016 - \$3,368,000) which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development and exploration costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

9. Capital Management

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is advances from related parties and the issuance of share capital. Management considers all components of shareholders' deficiency and due to related parties as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

TIDAL ROYALTY CORP.

(formerly Tulloch Resources Ltd.)

Notes to Financial Statements

For the Years ended July 31, 2017 and 2016

(Expressed in Canadian dollars)

9. Capital Management (continued)

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected to match the expected timing of expenditures to continue operations.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2017. Refer to Note 1 for management's plan to raise capital.

10. Segment Information

The Company currently operates in a single reportable operating segment. All of the Company's assets and expenditures are located in Canada.

APPENDIX B
Management Discussion & Analysis of the Issuer
for the year ended July 31, 2019, 2018 and 2017



Management's Discussion and Analysis

For the year ended July 31, 2019 and 2018

(Expressed in Canadian dollars)

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended July 31, 2019 compared to the year ended July 31, 2018. This report prepared as at November 28, 2019 intends to complement and supplement our financial statements for the year ended July 31, 2019 (the "Financial Statements") and should be read in conjunction with the Financial Statements and the accompanying notes.

Our Financial Statements and the management's discussion and analysis are intended to provide a reasonable basis for the investor to evaluate our financial situation.

Our Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "Tidal Royalty", we mean Tidal Royalty Corp.

Additional information on the Company is available on SEDAR at www.sedar.com.

Business Description

Tidal Royalty Corp. was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company is an investment company with a focus on the legal cannabis industry in the United States. The Company is a reporting issuer in the provinces of British Columbia and Ontario and on June 25, 2018, the Company's shares commenced trading on the CSE under the trading symbol "RLTY".

The head office and records office of the Company are located at Suite 810, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The principal place of business of the Company is 161 Bay St., Suite 4010, Toronto ON, M5J 2S1.

Definitive Agreement with MichiCann

On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). Pursuant to the definitive agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of tidal for 1 MichiCann common share. The Proposed Transaction is considered as a reverse take-over. The Proposed Transaction will be completed by way of a three-cornered amalgamation ("Amalgamation"), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

MichiCann is a private cannabis investment Company that holds an 8% senior secured convertible debenture to acquire all of the issued and outstanding shares of its Michigan based investee ("OpCo"), a private company incorporated under the laws of the state of Michigan. OpCo has been granted a step 1 prequalification by the Medical Marijuana Licensing Board and has been awarded multiple municipal approvals for grower permits (cultivation), manufacturing (extraction and derivative manufacturing) and provisioning centers (dispensaries).

Investments

During the year ended July 31, 2019, the Company has made several investments in the U.S. cannabis industry. The Company's current portfolio consists of strategic investments with Diem Cannabis (Oregon and Massachusetts), Lighthouse Strategies, LLC (California and Nevada); and FLRish Inc. d/b/a Harbourside (California). Management is currently exploring synergies with these partners as it focuses on its goal of becoming one of the largest MSOs in the US. Management continues to see large-scale potential in these investments as they are led by highly-skilled and experienced management teams across multiple industry verticals, including cultivation, processing, and distribution.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Highlights and Overall Performance

During the year ended July 31, 2019, the Company has successfully executed a number of key steps to develop and execute its business plan:

1. On August 31, 2018, the Company entered into a definitive agreement with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis ("Diem") to finance the expansion of TDMA LLC, a Massachusetts subsidiary of Diem ("TDMA") into Massachusetts. Pursuant to the agreement, the company will provide Diem with up to US\$12.5 million (the "Financing") over three years to develop and operate a large-scale cultivation and processing facility (the "Site") and up to four dispensaries (the "Dispensaries").

During the year ended July 31, 2019, and pursuant to the Funding, the Company entered into a promissory note ("Promissory Note") agreement with TDMA for \$3,216,274 (USD \$2,446,208) (July 31, 2018 - \$Nil) as a working capital advance for licenses, Site build out, identification and negotiation of the purchase agreements for the Site and Dispensaries. The Promissory Note bears interest of 10% per annum and is due on February 28, 2021, unless earlier satisfied as described below.

On September 26, 2019, as part of an endeavor to terminate the royalty agreement and in compliance with the broader strategic mandate to become a pure play Multi-State Operator ("M.S.O.") upon completion of the merger with Red White and Bloom (CSE:RWB), Tidal Royalty (CSE:RLTY.U) and Diem Cannabis have entered into a definitive Membership Interest Purchase Agreement (the "MIPA") for Tidal Royalty to purchase all of the issued and outstanding equity in TDMA Orange, LLC, a Diem Cannabis subsidiary. This acquisition provides Tidal Royalty with full control and 100% ownership in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts. Closing of the MIPA is subject to the standard approvals and change of control proceedings overseen by the Massachusetts Cannabis Control Commission and is expected to be completed by Q1 2020. Upon completion of the change of control, Tidal Royalty will control an indoor cultivation license for 10,000sf of canopy, an outdoor cultivation license for 40,000sf of canopy and a processing license. Each of the licenses are State Provisional licenses, effectively one step from becoming final licenses and all are licensed to supply into the adult use and medical markets in the Commonwealth of Massachusetts. Closing of the MIPA is the final milestone required to satisfy the previously executed royalty termination agreement, which will concurrently release Diem Cannabis from its promissory note including all accrued interest, cross collateralization and general security arrangement over all of its assets and mortgages over the Orange property and Springfield properties conveyed to Diem Cannabis by Tidal Royalty as part of the termination agreement in consideration for the licenses described above.

2. On November 15, 2018, the Company purchased 3,029 Units ("Units") for \$3,029,000 of FLRish Inc., the parent company of Harborside ("Harborside") and entered into a non-binding memorandum of understanding ("MOU") with Harborside to provide royalty financing to prospective "Harborside" brand dispensary operators. Each Unit is comprised of (A) one 12% unsecured convertible debenture, convertible into common shares of Harborside (i) at the option of the holder at any time prior to the last business day immediately preceding the third anniversary date of the closing; and (ii) automatically upon a Harborside going-public transaction, at a conversion price equal to the lower of (i) \$6.90; and (ii) a 10% discount to the price of the common shares of Harborside as part of a qualifying transaction; and (B) 87 common share purchase warrants exercisable for a period of two years following the closing into common shares of Harborside at an exercise price of \$8.60 (subject to acceleration in the event of a going public transaction). Pursuant to the terms of the MOU, the Company has agreed to provide up to US\$10 million in royalty financing to prospective dispensary operators licensing the "Harborside" brand. Each potential dispensary financing transaction will be assessed by the Company on a case-by-case basis and will be subject to the satisfactory completion of due diligence by the Company and the consummation of definitive documentation with the prospective dispensary operator.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Highlights and Overall Performance (continued)

3. During the year ended, Harborside completed a reverse-take over of Lineage Grow Company. Harborside trades on the Canadian Securities Exchange under the symbol "HBOR" Following completion of the RTO, the debentures and share purchase warrants converted into common shares of the resulting issuer pursuant to their terms. The Company sold all of its investment in Harborside for gross proceeds of \$2,984,461 and realized a net gain on sale of investment of \$281,892. On January 9, 2019 the Company closed its strategic private placement for \$6,574,000 (USD \$5,000,000) of Lighthouse Strategies LLC ("Lighthouse") Series A membership units concurrently with a financing arrangement for certain Lighthouse beverage lines. Pursuant to the Financing Fee Agreement, the Company is entitled to 1% of net sales of certain of Lighthouse's beverage lines, including Cannabiniers, Two Roots Brewing Co and Creative Waters Beverage Company. Financing fees will accrue until December 1, 2019, at which point the Company may choose to receive such fees in cash or Series A membership units of Lighthouse. Thereafter, financing fees are payable quarterly in cash. The terms of the Financing Fee Agreement are between four and six years, depending on certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control, or initial public offering).

Lighthouse is a finance, research & technology, and portfolio management company. It operates 11 companies and 150,000 ft² serving both traditional and regulated markets, including vertically integrated cannabis assets licensed in California and Nevada. Lighthouse is renowned for developing the world's first non-alcoholic cannabis-infused craft beer and liquor brand. Cannabiniers, a Lighthouse company, debuted Two Roots Brewing Co. in Las Vegas, Nevada earlier this year. During the year ended July 31, 2019, the Company recorded an unrealized loss on long term investments of \$4,921,062 (USD \$3,718,519). The fair value as at July 31, 2019 was \$1,684,892 (USD \$1,281,481).

4. After the close of trading on September 10, 2018, OTC Markets ceased trading Tidal Royalty's common shares under the symbol "TDRYF" as a result of an October 12, 2018 order issued by the Securities Exchange Commission ("SEC") revoking the registration of the common shares of a predecessor company to Tidal Royalty, Elkhorn Gold Mining Corp., for filing deficiencies pursuant to Section 12(j) of the Securities Exchange Act of 1934.

On October 17, 2018, November 29, 2018 and December 18, 2018, the Company filed a registration statement on Form 20-F, respectively, and an amended registration statement on Form 20-F with the SEC that Tidal Royalty expects will rectify the historical filing deficiencies of the predecessor entity and permit FINRA (the Financial Industry Regulatory Authority that regulates the OTC Markets) to reinstate Tidal Royalty's eligibility for quotation on the OTC Markets. On June 19, 2019, Tidal received clearance from FINRA and resumed trading on the OTC Markets.

5. On February 25, 2019, the Company completed an advance of \$15,000,000 to MichiCann Medical Inc. (operating as Red White & Bloom) pursuant to a senior secured convertible debenture (the "MichiCann Debenture"). The MichiCann Debenture is non-interest bearing, other than in the event of a default by MichiCann thereunder, and will mature on November 30, 2019 (the "Maturity Date"), with the Maturity Date being extendable in certain circumstances.

Highlights and Overall Performance (continued)

The obligations under the MichiCann Debenture are secured by way of a first ranking security against the personal property of MichiCann. In the event that the proposed acquisition by the Company of all of the issued and outstanding shares of MichiCann (the "Proposed Transaction") is not completed by the Maturity Date as result of, among other things, MichiCann's failure to comply with the definitive documentation for the Proposed Transaction, and MichiCann is at such time pursuing an alternative go public transaction or a change of control transaction (an "Alternate Liquidity Transaction"), the Company may elect to convert, in whole or in part, the outstanding amount under the MichiCann Debenture into common shares of MichiCann ("MichiCann Shares") at a price per MichiCann Share that is the lesser of (i) \$2.50 per MichiCann Share, and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction.

It is anticipated that MichiCann will use the funds advanced by the Company, solely to fund the acquisition of additional cannabis Provisioning Centers (dispensaries) in Michigan by its Michigan based investee Opco, and for general working capital purposes.

6. During the year ended July 31, 2019, the Company terminated the employment of Mr. Terry Taouss, President, and Ms. Stefania Zilinskas, General Counsel and Mr. Paul Rosen tendered his resignation as CEO, Chairman and director of the Company.
7. On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). Pursuant to the definitive agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of tidal for 1 MichiCann common share ("Exchange Ratio"). Upon completion of the Proposed Transaction, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company, respectively on a fully diluted basis at the time the transaction was first announced on February 14, 2019. The Proposed Transaction is considered as a reverse take-over. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase common shares based on the Exchange Ratio. The Proposed Transaction will be completed by way of a three-cornered amalgamation ("Amalgamation"), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

The Definitive contemplates the following terms:

- The Company will complete a share consolidation on an 8:1 basis;
- Change its name to "Red White & Bloom Inc." or such other name as may be approved by the board of directors;
- Reconstitute the board to include a total of 6 directors, of which 4 are nominees of MichiCann and 2 existing board members of the Company.

Overview of MichiCann

MichiCann is a private cannabis investment company incorporated under the laws of Ontario with a head office in Vaughan, Ontario. MichiCann has an experienced management team with a track record in the cannabis industry including its Chief Executive Officer, Brad Rogers, who was a founder of Mettrum Health Corp. (before its sale to Canopy Growth Corporation) and the former President of CannTrust Holdings Inc.

MichiCann holds an 8% senior secured convertible debenture (the "Debenture") and a put/call option (the "Put/Call Option") to acquire all the issued and outstanding shares of its Michigan based investee ("OpCo"), a private company incorporated under the laws of the State of Michigan. OpCo has been granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan and has been awarded multiple municipal approvals for grower permits (cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries).

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Highlights and Overall Performance (continued)

Overview of MichiCann (continued)

In addition to the licenses awarded to OpCo, they have been aggressively pursuing merger and acquisition activity in Michigan where it has closed on its first eight dispensaries, with three more expected to close in the coming days. OpCo has either signed, or is in the final stages of negotiations to sign, an additional eleven dispensaries.

Additionally, OpCo has purchased an 85,000 square foot facility for its first indoor cultivation and manufacturing center. Initial plans for this facility will include the ability to produce in excess of 10,000,000 grams of flower per year with first harvest, post retrofitting to a perpetual harvest facility, expected in Q4 2019, and will include state of the art extraction capabilities in the same facility.

OpCo has also purchased two smaller vertically integrated grow and manufacturing operations as part of its dispensary acquisitions. OpCo plans to complete transactions in 2019 for outdoor grow operations and are assessing additional opportunities for greenhouse cultivation. OpCo is making great strides in achieving its goals of controlling and operating a minimum of 20 dispensaries by end of Q2 2019 and three grow operations in Michigan by Q4 2019.

Significant Equity Events

During the year ended July 31, 2019, the Company issued 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of 40,000,000 of Preferred Share warrants. The Company received the proceeds during the year ended July 31, 2018. The Company reclassified \$2,000,000 from preferred share issuable to preferred shares issued. During the year ended July 31, 2019, 29,100,000 convertible preferred shares were converted into common shares. The Company reclassified \$1,365,780 from convertible preferred shares to common shares.

During the year ended July 31, 2019, the Company issued 17,810,000 common shares pursuant to the exercise of 17,810,000 warrants for gross proceeds of \$890,500.

On September 26, 2018, 4,000,000 special finder's warrants issued on May 25, 2018 with a carrying value of \$141,440 were converted into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one common share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. Upon conversion, the carrying value of \$141,440 was allocated to common shares and \$nil to the warrants based on the residual method.

On August 31, 2018, 12,690,000 special warrants and 1,220,000 special finders' warrants issued on April 26, 2018 with a carrying value of \$695,500 were converted into an equivalent number of units in the capital of the Company. Each unit consists of one common share and one common share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 expiring on April 26, 2020. Upon conversion, the carrying value of \$695,500 was allocated to common shares and \$nil to the warrants based on the residual method.

Selected Annual Information

The following table sets forth selected audited financial information for the Company for the three most recently completed financial years ended July 31, 2019, July 31, 2018 and July 31, 2017. The financial information below has been prepared in accordance with IFRS.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Selected Annual Information (continued)

For the year ended (Expressed in Canadian dollars)	July 31, 2019	July 31, 2018	July 31, 2017
	\$	\$	\$
Revenue	-	-	-
Net loss	18,611,721	7,825,089	32,424
Basic and diluted loss per share	(0.07)	(0.26)	(0.01)
Cash and cash equivalents	2,961,514	33,904,759	20,265
Total assets	24,191,661	34,566,033	22,334
Total liabilities	357,887	340,042	157,991
Working capital (deficit)	17,733,045	34,225,991	(135,657)
Equity (deficiency)	23,833,774	34,225,991	(135,657)
Dividends	-	-	-
Number of preferred shares outstanding at year end	50,900,000	40,000,000	-
Number of common shares outstanding at year end	292,607,662	227,787,662	2,843,636

Results of Operations

The following is a breakdown of the expenses incurred by the Company for the year ended July 31, 2019 and 2018:

For the year ended July 31,	2019	2018
Expenses		
Consulting fees	1,333,704	1,933,550
General and administration	223,985	93,861
Investor relations and stock promotion	2,521,416	1,196,309
Insurance	135,493	-
Professional fees	1,100,143	461,195
Rent	195,050	84,670
Share-based compensation	7,329,800	3,250,476
Salaries and benefits	915,585	244,526
Transfer agent and filing fees	88,215	76,869
Travel	131,552	106,368
	(13,974,943)	(7,447,824)
Other income (expense)		
Dividends income	2,467	-
Foreign exchange gain	260,880	(377,265)
Gain on debt extinguishment	10,000	-
Interest income	404,921	-
Realized gain on convertible debenture receivable and investments	281,892	-
Unrealized loss on long-term investments	(5,373,032)	-
Write down of sales tax receivable	(223,906)	-
Net loss	\$ (18,611,721)	\$ (7,825,089)
Other comprehensive income		
Foreign currency translation income	(796)	-
Net loss and comprehensive loss for the year	(18,612,517)	(7,825,089)

Most categories of expenses showed increases in 2019 compared with 2018. In the first half of the year the increase in expenses related to activities on due diligence work performed for financing deals and related activities. In the second half of the year, expenses reflected the Company's reorganization of management and redirection of its business.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Results of Operations (Continued)

Explanations of the nature of costs incurred, along with explanations for those significant changes in costs are discussed below:

- Investor relations and stock promotion consist of marketing costs to promote the Company. The increase is a result of the Company's officers increasing their presence at several key industries related conferences throughout the period. Furthermore, the Company created brand awareness in the Company's key target markets in North America that may lead to potential partnerships. The Company's advertising effort has led to several key letter of intents and definitive agreements. This is an important step to establishing the Company's foothold in the legal marijuana sector in the United States. The Company limited investor relations activity as the Company's stock has been halted for the latter half of the year until the Michicann LOI is completed.
- In the second half of the year, consulting fees decreased significantly as the Company entered into the LOI with MichiCann, resulting in an overall decrease in consulting fees relative to the comparative period. The Company relies heavily on Consultants to help them achieve their goals in all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Advisors, Technical Support and other support roles.
- General and administration relates to general office expenditures and its increase is a result of the Company's activity level during the period along with other costs associated with operations in the Company's office in Toronto. Insurance increased to \$135,493 from \$Nil as the Company adopted insurance policies during the year.
- Foreign exchange gain relates to fluctuations in foreign exchange rate between the USD and Canadian dollar.
- Professional fees increased due to accounting and legal fees associated with preparing and reviewing the Company's 20-F filing. The Company incurred legal fees in connection with the closing of the Financing agreement with Diem Cannabis, review of various Letters of Intents such as Lighthouse and Harborside, and other potential partnerships.
- Rent increased as the Company made payments on the Company's head office lease.
- During the year ended July 31, 2019, the Company granted stock options to various consultants. The Company used the Black Scholes Pricing Model and recorded share-based compensation of \$7,329,800 (2018 - \$3,250,476).
- Salaries and benefits increased as a result of the Company hiring additional employees to support the growth of business and its corporate finance department. Furthermore, the Company paid its CEO and President salaries for their services.
- Travel increased as a result of flights to various industry conferences and meetings in furtherance of financing opportunities.
- The Company recorded interest income of \$404,921 (2018 - \$Nil), pursuant to the promissory notes the Company entered into with Diem and the convertible note in Harborside.
- The Company sold its investment in Harborside and realized a gain on sale on equity securities of \$281,892.
- The Company recognized an unrealized loss on investments in equity securities for Lighthouse Strategies LLC of \$5,373,032.

During the three-month period ended July 31, 2019, the Company recorded a loss of \$7,471,800 (2018 – \$6,807,138). The vast majority of expenditures during the three-month period ended relates to stock options granted to consultants, directors and management. The discussion for the variances for the remaining income statement accounts are similar to the discussion for the year ended July 31, 2019. During the fourth quarter of 2019, the Company recorded share-based compensation of \$853,976.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended July 31, 2019 and 2018

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

	Jul, 31 2019	Apr, 30 2019	Jan, 31 2019	Oct. 31 2018
	\$	\$	\$	\$
Total revenues	-	-	-	-
Total assets	24,191,661	30,790,147	31,041,861	31,895,184
Long term liabilities	-	-	-	-
Net loss and comprehensive loss	(7,471,800)	(5,739,365)	(1,547,604)	(3,853,748)
Net loss per share – Basic and diluted	(0.02)	(0.02)	(0.01)	(0.02)

	Jul 31 2018	Apr. 30 2018	Jan. 31 2018	Oct. 31 2017
	\$	\$	\$	\$
Total revenues	-	-	-	-
Total assets	34,566,033	5,699,709	2,842,588	24,915
Long term liabilities	-	-	-	-
Net loss and comprehensive loss	(6,807,138)	(742,747)	(219,127)	(56,077)
Net loss per share – Basic and diluted	(0.06)	(0.26)	(0.08)	(0.02)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of activities being undertaken for royalty financing opportunities at any time and the availability of funding. Q4 2019 expenditures increased from Q3 2019 and is primarily attributed to non-cash items such as the unrealized loss on the long term investments of \$5,373,032 and share based compensation of \$853,976. Q4 2018 saw a large increase as the Company's operations ramped up and pursued several potential royalty agreements, incurring due diligence, accounting, consulting and legal expenses. The Company hired employees and pursued marketing programs and consultants to increase brand awareness and pursue new royalty opportunities.

Liquidity

At July 31, 2019, the Company had cash of \$2,961,514, compared to July 31, 2018 of \$33,904,759. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its business strategy & goals and service its obligations listed in the financial statements, the Company may need to raise additional capital. The Company's working capital is \$17,733,045 (2018 – \$34,225,991). The Company expects to finance operating costs by private placement of common shares, preferred shares, exercise of warrants, exercise of options and debt financing. During the year ended, the Company advanced \$15,000,000 in relation to the MichiCann LOI and raised \$890,500 via warrant exercises. Subsequent to year end, the Company exercised 9,165,000 warrants for gross proceeds of \$458,250.

Management has assessed and concluded that the Company has the ability to continue as a going concern for the next twelve months. The ability to achieve our projected future operating results is based on a number of assumptions which involve significant judgments and estimates, which cannot be assured. If we are unable to achieve our projected operating results, our liquidity could be adversely impacted, and we may need to seek additional sources of financing. Our operating results could adversely affect our ability to raise additional capital to fund our operations and there is no assurance that debt or equity financing will be available in sufficient amount, on acceptable terms, or in a timely basis.

Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and deficit.

TIDAL ROYALTY CORP.
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Summary of Quarterly Results (continued)

Capital Resources (continued)

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company entered into an office lease that expires on September 2, 2020. The Company is committed to the following estimated annual payments:

	\$
2020	294,205
2021	49,034
	<u>343,239</u>

Working Capital

As at July 31, 2019, the Company had working capital of \$17,733,045 (July 31, 2018 – \$34,225,991). In the long term, the Company will be seeking to raise further funds from equity financings and/or debt financing in order to continue operations, in particular to fund ongoing expenditure commitments as they arise.

As at	July 31, 2019 \$	July 31, 2018 \$
Total assets	24,306,903	34,566,033
Total liabilities	357,887	340,042
Working capital	17,733,045	34,225,991
Shareholders' Equity	23,833,774	34,225,991

Cash Used in Operating Activities

Net cash used in operating activities during the year ended July 31, 2019 was \$6,435,276 (2018 –\$6,057,686) which mainly consisted of cash spent for the initiation of the business, general working capital, brand awareness campaigns, consulting and professional fees for royalty financing opportunities, and due diligence. The Company completed two major investments during the period, Lighthouse and Harborside, which required expertise and due diligence to complete. In the comparative period, the Company was relatively inactive; thus, the cash outflow from operations in the comparative period is minimal.

Cash Generated by Financing Activities

Total net cash generated during the year ended July 31, 2019 was \$890,500 (2018 - \$38,912,180). The Company generated \$890,500 pursuant to the exercise of warrants. Subsequent to year end, the Company exercised 9,165,000 warrants for gross proceeds of \$458,250. In the comparative period, the Company complete various private placement, preferred share and warrant exercises, raising gross proceeds of \$38,912,180.

Cash Used in Investing Activities

During the year ended July 31, 2019, and pursuant to the Financing, the Company entered into a promissory note agreement with TDMA for \$3,216,274 (July 31, 2018 - \$Nil) as a working capital advance for licenses, Site development, identification and negotiation of the purchase agreements for the Site and Dispensaries.

Further to the Company's agreement with TDMA, the Company acquired two land properties in Springfield and Massachusetts, USA. The Company acquired these properties for \$592,655

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Cash Used in Investing Activities (continued)

Furthermore, the Company acquired two investments – Harborside and Lighthouse Strategies LLC. On November 18, 2018, the Company entered into a non-binding memorandum of understanding with FLRish, Inc., parent company of Harborside. The Company purchased \$3,029,000 of senior unsecured convertible debenture units of FLRish, Inc. During the year ended July 31, 2019, the Company converted all of the Company's senior unsecured convertible debenture units of FLRish, Inc. and sold them for gross proceeds of \$2,984,461. The Company recognized a realized gain on conversion and sale of investment of \$281,892.

On November 5, 2018, the Company entered into a binding letter of intent with Lighthouse and subscribed for \$6,574,000 (US \$5,000,000) of Lighthouse's Series A membership units.

On February 14, 2019, the Company entered into a binding letter of intent ("Proposed Transaction") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann") to acquire all of the issued and outstanding shares of MichiCann. Pursuant to the Proposed Transaction, the Company issued a non-interest bearing secured convertible debenture for \$15,000,000.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions at the date of this report that have not been disclosed.

Transactions with Related Parties

The Directors and Executive Officers of the Company as at the date of this report are as follows:

Theo van der Linde	Chief Financial Officer and Director
Brendan Purdy	Interim CEO and Director
Brian Penny	Former Director
Stuart Wooldridge	Director
Paul Rosen	Former Chief Executive Officer and Director
Terry Taouss	Former President
Courtland Livesley-James	Former VP Strategy
Kathryn Witter	Former Secretary

Formal management and/or consulting contracts are currently being reviewed.

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include all directors and officers. Key management compensation for the year ended July 31, 2019 and 2018 are comprised of the following:

	2019	2018
	\$	\$
Consulting fees paid or accrued to companies controlled by the CFO	105,400	77,035
Consulting fees paid or accrued to the former corporate secretary	2,000	46,500
Consulting fees paid or accrued to the former VP Strategy	31,250	116,667
Consulting fees paid or accrued to directors	34,214	7,500
Consulting fees paid or accrued to the former VP of corporate development	26,300	19,528
Salaries and benefits paid to the former president	189,824	82,097
Salaries and benefits paid to the former CEO	195,833	303,795
Salaries and benefits paid to the former VP of corporate development	91,106	-
Share-based compensation	1,403,282	1,651,395
Total	2,079,209	2,304,517

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Transactions with Related Parties (continued)

As at July 31, 2019, the Company owed \$21,347 (July 31, 2018 - \$18,685) to related parties.

Subsequent Events

Subsequent to year end, the Company issued 9,165,000 common shares pursuant to warrant exercises for gross proceeds of \$458,250.

Outstanding Share Data

As at the date of this MD&A, the Company has the following outstanding shares:

Securities*	Number
Common shares	301,772,661
Special warrants	-
Share purchase warrants	116,786,365
Stock options	28,635,766
Preferred shares	50,900,000

Additional Disclosure for Venture Issuers without significant revenue

Additional disclosure concerning the Company's expenses is provided in the Company's statement of loss and note disclosures contained in its condensed interim financial statements for the year ended July 31, 2019. These statements are available on SEDAR - Site accessed through www.sedar.com.

Ability to Access Private and Public Capital and Nature of Securities

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its investments in the US legal cannabis industry. Although such investments carry a higher degree of risk, and despite the treatment of cannabis under U.S. federal laws, Canadian-based issuers involved in making U.S. cannabis-related investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the *Controlled Substances Act* of 1970 ("CSA"). Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws. The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for investment into the US legal cannabis industry. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

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Additional Disclosure for Venture Issuers without significant revenue (continued)

Management's Responsibility for Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. In contrast to the certificate required under National Instrument 52-109 - *Certificate of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

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

Forward-looking-information

Statements included in this document that do not relate to present or historical conditions are "forward-looking statements". Forward-looking statements are projections in respect of future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intend", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or "continue", or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include statements with respect to: the closing of the proposed transaction with MichiCann, the nature and extent of the review and comment by the FINRA of Tidal Royalty's Form 20-F and historical filings, speed of the interactions between the applicable U.S. regulatory authorities, statements regarding estimated capital requirements and planned use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled "Risk Factors", and other factors which may cause the Company's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Additional Disclosure for Venture Issuers without significant revenue (continued)

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Risks Factors

We have no source of operating revenue and it is likely we will operate at a loss until we are able to realize cash flow from our financings.

We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares.

Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of the investor's investment.

The market price of our common shares may experience significant volatility.

Factors such as announcements of quarterly variations in operating results, revenues, costs, changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general, announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or performance or relating to the industry in general, announcements of acquisitions or consolidations involving our portfolio companies, competitors or among the industry in general, as well as market conditions in the cannabis industry, such as regulatory developments, may have a significant impact on the market price of our common shares. Global stock markets and the Canadian Securities Exchange ("CSE") in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will be sustained for our common shares.

We do not anticipate that any dividends will be paid on our common shares in the foreseeable future.

We anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may not be able to sell their shares on favourable terms or at all.

The Company has a limited operating history with respect to financings in the U.S. cannabis sector, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment in the Company.

The Company has a history of negative cash flow and losses that is not expected to change in the short term. Financings may not begin generating cash flow to the Company for several years following any financing.

Risks Factors (Continued)

The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company.

Currently, the U.S. cannabis industry generally is comprised of individuals and small to medium-sized entities. However, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively “price out” many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the trend in connection with most state laws and regulations may deter this type of takeover, this industry remains quite nascent, and therefore faces many unknown future developments, which in itself is a risk.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. The Company may not have sufficient resources to remain competitive, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company’s vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company’s cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company’s flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company’s ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

The Company’s revenues and expenses may be negatively impacted by fluctuations in currency.

The Company’s revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company’s business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Related to the Cannabis Industry

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 (“CSA”), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations. For background information on the inconsistency between state and federal regulation of cannabis, please refer to “Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations”.

Risks Related to the Cannabis Industry (Continued)

The funding of businesses in the cannabis industry may expose us to potential criminal liability.

While we do not intend to harvest, distribute or sell cannabis, the funding of businesses in the medical and adult-use cannabis industry could be deemed to be participating in marijuana cultivation, which remains illegal under federal law pursuant to the CSA and exposes us to potential criminal liability, with the additional risk that our properties, or those of our portfolio companies, could be subject to civil forfeiture proceedings. For background information on the inconsistency between state and federal regulation of cannabis, please refer to “Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations”.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Such risks are difficult to predict. For instance, it is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The regulatory uncertainties make identifying the new risks applicable to the Company and its business and the assessment of the impact of those risks on the Company and its business extremely difficult.

The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Company and its portfolio companies and may affect the financial condition of market participants, including the Company.

Participants in the U.S. cannabis industry 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 restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 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 participant and, thereby, on the Company's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's financings in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Changes to or the imposition of new government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings and could make future financing uneconomic.

Risks Related to the Cannabis Industry (Continued)

The Company and the companies it funds may become subject to litigation which could have a significant impact on the Company's profitability.

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Company, or one or more of the Company's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

As the possession and use of cannabis is illegal under the CSA, we may be deemed to be aiding and abetting illegal activities through the funding of our portfolio companies, and as such may be subject to enforcement actions which could materially and adversely affect our business.

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). Such an action would have a material adverse impact on our business and operations.

Losing access to traditional banking and the application of anti-money laundering rules and regulations to our business could have a significant effect on our ability to conclude financings and achieve returns.

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. For background on these laws and various guidance issued by certain regulatory authorities concerning banking cannabis-related businesses, please refer to "Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations".

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business. Furthermore, the Company's U.S. subsidiaries may be unable to open bank accounts with U.S. financial institutions, which may also make it difficult to operate the Company's business.

Risks Related to the Cannabis Industry (Continued)

Proceeds from the Company's financings could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.

The Company's future financings, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada, which could lead to the imposition of certain restrictions on the Company's ability to invest in the U.S.

It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Company's Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the Exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequis NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future.

For the reasons set forth above, the Company's future financings in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

Risks Related to the Cannabis Industry (Continued)

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines which could increase compliance costs substantially or require the alteration of business plans.

The Company's business operations will indirectly be affected by laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

As consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis evolve, the Company may face unfavourable publicity or consumer perception.

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed royalty business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

Cannabis use may increase the risk of serious adverse side effects which could subject the Company or its portfolio companies to product liability claims, regulatory action and litigation.

As a company that finances businesses in the cannabis industry, we face the risk of exposure to, or having our portfolio companies exposed to, product liability claims, regulatory action and litigation if the products or services of our portfolio companies are alleged to have caused loss or injury. Our portfolio companies may become subject to product liability claims due to allegations that their products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, may exacerbate the symptoms for individuals with bipolar disorder, may increase the risk for the development of depressive disorders, may impair learning, memory and attention capabilities, and result in other side effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. There can be no assurance that our portfolio companies will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in our portfolio companies becoming subject to significant liabilities that are uninsured and also could adversely affect their commercial arrangements with third parties. Such a product liability claims or regulatory action against an operator could result in increased costs, could adversely affect the Company's financing and reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Risks Factors (Continued)

If our portfolio companies do not comply with applicable packaging, labeling and advertising restrictions on the sale of cannabis in the adult-use market, we could face increased costs, our reputation could be negatively affected and there could be a material adverse effect on our results of operations and financial condition.

Products distributed by our portfolio companies into the adult-use market may be required to comply with legislative requirements relating to product formats, product packaging, and marketing activities around such products, among others. As such, the portfolio of brands and products of our portfolio companies will need to be specifically adapted, and their marketing activities carefully structured, to enable them to develop their brands in an effective and compliant manner. If our portfolio companies are unable to effectively market their cannabis products and compete for market share, or if the costs relating to compliance with government legislation increase beyond what can be absorbed in the price of products, our earnings could be adversely affected which could make future financing uneconomic.

The products of our portfolio companies may become subject to product recalls, which could negatively impact our results of operations.

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 products of our portfolio companies are recalled due to an alleged product defect or for any other reason, such recall may disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations. In addition, a product recall involving one or multiple of our portfolio companies may require significant attention by our senior management. If the products of one of our portfolio companies were subject to recall, the image of that brand and the Company as an investor could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the products of our portfolio companies 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 our operations by the U.S. FDA, Health Canada or other regulatory agencies, requiring further senior management attention and potential legal fees and other expenses.

Risks Related to Royalties

The Company may expend valuable time and effort in performing due diligence on companies and their existing royalties which may not be able to be acquired by the Company owing to existing third-party rights.

Rights of third parties may restrict the Company's ability to acquire existing royalties. Royalty interests may be subject to: (i) buy-down right provisions pursuant to which the operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the royalty; or (iii) claw back rights pursuant to which the seller of a royalty has the right to re-acquire the royalty. As a result, (a) royalties held by the Company may not continue for the full term of the original contract, and (b) should the Company seek to acquire existing royalties in the future, holders of such rights may exercise them such that certain existing royalty interests would not be available for acquisition.

The determination of costs is made by the operator and is beyond the control of the Company but may negatively influence the royalty return received by the Company.

Should the Company hold a net profit royalty, it would have the added risk that such royalties allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures may include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder and can have a dramatic effect on the amount payable on these royalties. Any increase in the costs incurred by the operators will likely result in a decline in the royalty received by the royalty holder. This, in turn, may have a material adverse effect on its profitability, financial condition, and results of operation.

Risks Related to Royalties (Continued)

The Company does not control the business operations over which the royalty is determined and the interests of owners/operators and the Company may not always be aligned, which could negatively influence the royalty return received by the Company.

Cash flows derived from royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which their business is operated or the relevant assets subject to the royalties are exploited, including decisions to expand, continue or reduce production, decisions about the marketing of products extracted from the asset and decisions to advance expansion efforts and further develop non-producing assets. As a holder of royalties or other interests, the Company will have little or no input on such matters. The interests of third-party owners and operators and those of the Company on the relevant assets may not always be aligned.

The Company has limited access to data and disclosure which may make the assessment of the value of the Company's current or future financings difficult to determine and which could result in the royalties being less profitable than expected.

As a holder of royalties and other non-operator interests, the Company neither serves as the owner or operator, and in almost all cases the Company has limited input into how the operations are conducted. As such, the Company has varying access to data on the operations or to the actual assets themselves. This could affect its ability to assess the value of the royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by the Company based on the stage of development of the applicable business or assets. The Company's royalty payments may be calculated by the operator in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to such royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and as such the Company may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the businesses in which the Company has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Royalties are largely contractually-based and may not always be honoured by the counterparties to the Company's royalty contracts, which may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

General Business Risks

There can be no assurance that future financings made by the Company will be profitable.

As part of the Company's overall business strategy, the Company intends to pursue its financing policy and objectives. There are always risks associated with any business transaction, particularly one that involves a largely cash based operation, operating in a new and growing field, with conflicting federal and state laws. There is no assurance any financings will be profitable.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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.

General Business Risks (Continued)

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management.

While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such people. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

Litigation, complaints, and enforcement actions the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, 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 an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. 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 an operator, and consequently, the Company.

The success of the Company may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

General Business Risks (Continued)

Insurance coverage obtained by an operator may be insufficient to cover all claims to which the operator may become subject.

The Company will require an operator to have insurance coverage for applicable risks. However, there can be no assurance that such coverage will be available or sufficient to cover claims to which the operator may become subject. Each operator may be affected by a number of operational risks and may not be adequately insured for certain risks, including: civil litigation; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, an operator's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the operator's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, an operator may be subject to or affected by liability or sustain loss for certain risks and hazards against which it may elect not to insure because of the cost. If insurance coverage is unavailable or insufficient to cover any such claims, an operator's financial resources, results of operations and prospects, as well as the Company's financing, could be adversely affected.

Maintaining a public listing is costly and will add to the Company's legal and financial compliance costs.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

The Company may experience difficulty implementing its business strategy.

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of interest involving the Company's directors and officers may arise and may be resolved in a manner that is unfavourable to the Company.

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

General Business Risks (Continued)

The available talent pool may not be large enough for the Company to identify and hire personnel required to develop the business, which may mean that the growth of the Company's business will suffer.

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of financings and cannabis may be difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

If the requirements of the Investment Company Act of 1940 (the "1940 Act") were imposed on the Company, such requirements would adversely affect our operations.

The Company intends to conduct its operations so that it is not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

The Company is organized as a holding company that conducts business primarily through wholly-owned or majority-owned subsidiaries. The Company intends to conduct operations so that it complies with the 40% test. The Company will monitor our holdings to comply with this test. Failure to comply with the 40% test could require the Company to register as an investment company under the 1940 Act, which would have a material adverse effect on our operations.

There could be adverse tax consequence for our shareholders in the United States if we are deemed a passive foreign investment company.

Under United States federal income tax laws, if a company is (or for any past period was) a passive foreign investment company (which we refer to as "PFIC"), it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change. Furthermore, the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. The Company believes based on current business plans and financial expectations that it may be a PFIC for the current tax year and future tax years. United States purchasers of our common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC.

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences such as the ineligibility for any preferred tax rates on capital gains, the ineligibility for actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund (or QEF) election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership, and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.



Management's Discussion and Analysis

For the year ended July 31, 2018 and 2017

**TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018 AND 2017**

Date: October 30, 2018

This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the year ended July 31, 2018, compared to the year ended July 31, 2017. This report prepared as at October 30, 2018 intends to complement and supplement our financial statements for the year ended July 31, 2018 (the "Financial Statements") and should be read in conjunction with the Financial Statements and the accompanying notes.

Our Financial Statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "Tidal Royalty", we mean Tidal Royalty Corp.

Additional information on the Company is available on SEDAR at www.sedar.com or the Company's website <https://www.tidalroyalty.com/>.

Business Description

Tidal Royalty Corp. was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company is a life sciences company with a focus on financing businesses that pertain in any way to cannabis which is carried out in compliance with applicable U.S. state laws ("legal cannabis industry"). The Company anticipates entering into financing arrangements involving royalties, debt and other forms of investments in private and public companies in the US legal cannabis industry. The Company is a reporting issuer in the provinces of British Columbia and Ontario and on June 25, 2018, the Company's shares commenced trading on the CSE under the trading symbol "RLTY".

The head office and records office of the Company are located at Suite 810, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The principal place of business of the Company is 161 Bay St., Suite 4010, Toronto ON, M5J 2S1.

The Company's business objective is to provide capital solutions to companies in the legal cannabis industry with large-scale potential and a highly-skilled and experienced management team, in exchange for a royalty. The Company is actively pursuing opportunities to provide expansion capital to licensed, qualified operators across multiple industry verticals, including cultivation, processing, and distribution. An investment in Tidal Royalty will allow shareholders to participate in the broader US cannabis market's growth while diversifying against specific operational risks.

While Tidal Royalty may customize its royalty financing product to meet the particular needs of exceptional operators, it anticipates that most royalty transactions will encompass one of the three following deal types:

Facility Expansion: capital used to build out existing operational assets. This would include opening additional flowering rooms to increase canopy, establishing a manufacturing and processing vertical, and opening additional dispensaries.

Multi-State Expansion: capital used to expand into new states and set up operations. Operators must demonstrate proven operational experience, the ability to obtain necessary licenses, and a business model that leverages their existing assets and operations.

Market Rollup: allows seasoned operators to expand their footprint by purchasing strategic or undervalued assets. The royalty attaches to existing operations and provides near-term cash flow.

**TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018 AND 2017**

Highlights and Overall Performance

With our shareholders' consent - received September 5, 2017 - the Company changed its business from mineral exploration to that of a life sciences company with a focus on the legal cannabis industry in the United States.

The Company has taken the following steps to develop and execute its new business:

1. Has retained new management with a track record in the legal cannabis industry;
2. Has changed the name of the Company to Tidal Royalty Corp;
3. Received shareholders' approval to a change of business from mineral exploration to cannabis financing;
4. The Company's shares commenced trading on the CSE;
5. Added several key industry advisors to its Advisory Board;
6. Raised gross proceeds of \$6,459,000 pursuant to a non-brokered private placement at \$0.05 per Special Warrant;
7. Raised gross proceeds of \$2,000,000 pursuant to preferred shares issued in a non-brokered private placement offering;
8. Raised gross proceeds of \$31,137,159 pursuant to a non-brokered private placement offering at \$0.33 per share;
9. On August 27, 2018, the Company entered into a binding letter of intent ("LOI") with CannaRoyalty Corp. ("CannaRoyalty") to acquire 1,500 units in Alternative Medical Enterprises, LLC ("AltMed") and a royalty on U.S. and international sales of the MüV™ product line for aggregate consideration of \$7,000,000 in cash and \$1,000,000 in common stock, respectively. The number of common shares to be issued is to be computed using the 20-day volume weighted average price of the Company's common shares on the trading day immediately prior to the closing date. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals; and
10. On August 31, 2018, the Company entered into a definitive agreement with Diem Cannabis ("Diem") to provide Diem with up to US\$12.5 million (the "Financing") over the next three years to develop and operate a large-scale cultivation and processing facility and up to four dispensaries ("Business Plan"). The Financing will be secured by all of Diem's assets and shares, membership interest and other equity interests in Diem. The Company will be entitled to the equivalent of 15% of all net sales generated by the financed operations in Massachusetts.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018 AND 2017

Significant Equity Events

On July 26, 2017, the Company consolidated its share capital on a one-for-three basis. All share and per-share information have been restated to retroactively reflect this consolidation for all periods presented.

On February 2, 2018, the Company completed a non-brokered private placement, of 59,370,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,968,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 3,757,000 special warrants were issued as finders' fees with the same terms as the special warrants pursuant to the private placement. The fair value of \$187,850 was charged to warrant issue costs. On June 8, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On March 1, 2018, the Company completed a non-brokered private placement of 57,120,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,856,000. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 5,292,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The fair value of \$264,600 was charged to warrant issue costs. On July 1, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On April 30, 2018, the Company completed a non-brokered private placement of 12,690,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$634,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 61,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The fair value of \$61,000 was charged to warrant issue costs. On September 1, 2018, the Company will convert the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company.

On May 25, 2018, the Company issued 40,000,000 units in the capital of the Company at a deemed price of \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one Series 1 Convertible Preferred share (a "Preferred Share") and one preferred share purchase warrant; each warrant (a "Warrant") is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date. A total of 4,000,000 special finders' warrants as finder's fees were granted with a fair value of \$141,440; each special finder warrant entitling the holder to acquire one additional common share at \$0.05 for a period of 24 months. The fair value of the special finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.05; exercise price - \$0.05; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.96%.

On June 12, 2018, the Company issued 94,355,026 common shares at a price of \$0.33 per common share for gross proceeds of \$31,137,159. In consideration for their services, the underwriters received a cash commission of \$2,067,500 and the Company paid other legal and finder's fees of \$64,000. A total of 5,182,365 finder's warrants were granted with a fair value of \$1,209,136; each finder warrant entitling the holder to acquire one additional common share at \$0.33 for a period of 24 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life - 2 years; volatility - 147%; dividend yield - \$0; and risk-free rate - 1.90%.

On July 28, 2018, the Company has the obligation to issue 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of preferred share purchase warrants for \$2,000,000.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018 AND 2017

Use of Proceeds

During the year ended July 31, 2018, the Company completed the Placements for net proceeds of approximately \$39,000,000. The Company intends to use the net proceeds to fund financing agreements, general working capital and to investigate other opportunities. The table below provides a breakdown of the intended use, the amounts used to date and any variances.

Intended use of proceeds of Placements		Incurred as at July 31, 2018 (approximate)	Variances
Fund Financing Agreements (60%)	\$23,400,000	(\$nil)	No financing agreements were completed during the year.
General Working Capital (20%)	\$7,800,000	(\$3,094,186)	No variances anticipated
Investigate other Opportunities (20%)	\$7,800,000	(\$1,933,500)	No variances anticipated ¹
Total	\$39,000,000	(\$5,027,686)	

1. Management decided not to proceed with the previously-disclosed proposed royalty agreement with Desert Horizons Ltd. ("**Royalty Agreement**"). The costs incurred are diligence costs payable to third parties in connection with negotiating the Royalty Agreement.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives

Selected Annual Information

The following table sets forth selected audited financial information for the Company for the three most recently completed financial years ended July 31, 2018, July 31, 2017 and July 31, 2016. The financial information below has been prepared in accordance with IFRS.

For the year ended (Expressed in Canadian dollars)	July 31, 2018	July 31, 2017	July 31, 2016
	\$	\$	\$
Revenue	-	-	-
Gross loss	7,825,089	32,424	58,760
Net loss	7,825,089	32,424	58,760
Basic and diluted loss per share	(0.26)	(0.01)	(0.02)
Cash	33,905,759	20,265	1,585
Total assets	34,566,033	22,334	3,934
Total liabilities	340,042	157,991	107,167
Working capital (deficit)	34,225,991	(135,657)	(103,233)
Shareholders' equity (deficiency)	34,225,991	(135,657)	(103,233)
Dividends	-	-	-
Number of preferred shares outstanding at year end	40,000,000	-	-
Number of common shares outstanding at year end	227,787,662	2,843,636	2,843,636

**TIDAL ROYALTY CORP.
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Results of Operations

The following is a breakdown of the expenses incurred by the Company for the year ended July 31, 2018 and 2017.

For the year ended July 31,	2018	2017
Expenses		
Advertising and promotion	\$ 1,164,458	\$ 1,508
Investor relations	31,851	-
Consulting fees	1,933,550	6,000
General and administration	93,861	1,285
Foreign exchange loss	377,265	-
Share based compensation	3,250,476	-
Salaries and benefits	244,526	-
Rent	84,670	-
Professional fees	461,195	14,717
Transfer agent and filing fees	76,869	5,919
Travel	106,368	2,995
Net loss and comprehensive loss for the year	\$ (7,825,089)	\$ (32,424)
Loss per share, basic and diluted for the year	\$ (0.26)	\$ (0.01)
Weighted average number of common shares outstanding	30,039,081	2,843,636

Most categories of expenses showed increases in 2018 compared with 2017, as the Company reorganized management and redirected its business. The increase in expenses relates to an increase in activity associated with the Company's reorganization of management, due diligence work performed for financing deals and related duties. Explanations of the nature of costs incurred, along with explanations for those significant changes in costs are discussed below:

- Advertising and promotion consists of marketing costs to promote the Company. The increase is a result of the Company's officers increasing their presence at several key industries related conferences throughout the year. Furthermore, the Company created brand awareness through programs in North America. This effort has led to several letters of intent and helps to establish the Company as a market leader in the legal cannabis industry.
- Investor relations fees increased as the Company published news releases throughout the year to the Company's investors.
- Consulting and management fees increased significantly as the Company continues to explore royalty opportunities with companies in the legal cannabis industry. The Company relies heavily on Consultants to help them achieve their goals on all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Advisors, Technical Support and other support roles.
- General and administration relates to general office expenditures and its increase is a result of the Company's activity level during the period along with other costs associated with operations in the Company's office in Toronto.
- Foreign exchange loss relates to fluctuations in foreign exchange rate.
- The Company granted 16,468,727 stock options to various consultants, directors and key management with an exercise price of \$0.33 with a 5-year term. The Company used the Black Scholes Pricing Model and determined the fair value was \$3,250,476.

TIDAL ROYALTY CORP.
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- Salaries and benefits increased as a result of the Company hiring additional employees to support the growth of business and its corporate finance department. Furthermore, the Company paid its CEO and President salaries for their services.
- The Company signed an office lease in Toronto and Vancouver. The Company offsets a portion of its lease by sub-leasing their office space.
- Professional fees increased due to accounting and legal fees associated with preparing the Company's filing with the CSE that was completed during the year, the preliminary prospectus and professional fees incurred on due diligence of the various royalty agreements the Company entered into.
- Transfer agent and filing fees increased as a result of listing fees to the CSE in respect to the Company's listing that was completed after the period end.
- Travel increased as a result of flights to various industry conferences and meetings in furtherance of financing opportunities.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

	July 31 2018 \$	Apr. 30 2018 \$	Jan. 31 2018 \$	Oct. 31 2017 \$	Jul. 31 2017 \$	Apr. 30 2017 \$	Jan. 31 2017 \$	Oct. 31 2016 \$
Total revenues	-	-	-	-	-	-	-	-
Total assets	34,566,033	5,699,709	2,842,588	24,915	22,334	3,440	4,143	3,810
Long term liabilities	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(6,807,138)	(742,747)	(219,127)	(56,077)	(24,854)	(5,390)	(1,267)	(913)
Net loss per share – Basic and diluted	(0.06)	(0.26)	(0.08)	(0.02)	(0.00)	(0.00)	(0.00)	(0.01)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of activities being undertaken for royalty financing opportunities at any time and the availability of funding. Q2 2018 saw a large increase over prior quarters as a result of consulting and management fees for royalty financing opportunities and professional fees incurred in respect of the Royalty Agreement and listing costs with the CSE. Q4 2018 saw a large increase as the Company's operations ramped up and pursued several potential royalty agreements, incurring due diligence, accounting, consulting and legal expenses. The Company hired employees and pursued marketing programs and consultants to increase brand awareness and pursue new royalty opportunities. Furthermore, \$3,250,476 of Q4 2018 fees relates to non-cash share-based compensation.

**TIDAL ROYALTY CORP.
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Liquidity

At July 31, 2018, the Company had cash of \$33,904,759, compared to July 31, 2017 of \$20,265. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its business strategy & goals and service its obligations listed in the financial statements, the Company will need to raise additional capital. The Company expects to finance operating costs by private placement of common shares, preferred shares, exercise of warrants, exercise of options and debt financing. The Company raised further monies from warrant exercises subsequent to year end.

Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company entered into an office lease that expires on September 2, 2020. The Company is committed to the following estimated annual payments:

	\$
2019	257,441
2020	257,441
2021	42,907
	<u>557,789</u>

Working Capital

At the year ended July 31, 2018, the Company had working capital of \$34,681,876 (July 31, 2017 – negative \$135,657). In the long term, the Company will be seeking to raise further funds from equity financings and/or debt financing in order to continue operations, in particular to fund ongoing expenditure commitments as they arise.

As at	July 31, 2018	July 31, 2017
Total Assets	\$ 34,566,033	\$ 22,334
Total Liabilities	340,042	157,991
Working Capital (deficiency)	34,225,991	(135,657)
Shareholder's Equity (deficiency)	34,225,991	(135,657)

Cash Used in Operating Activities

Net cash used in (provided by) operating activities during the year ended July 31, 2018 was \$5,027,686 (2017 – (\$15,694)) which mainly consisted of cash spent for the initiation of the business, general working capital, consulting and professional fees for royalty financing opportunities, due diligence and the Company's listing with the CSE. The Company entered into several multi-month marketing contracts that is included in prepaid expenses of \$530,648 (2017 - \$1,211) and paid off trade and other payables of \$206,132 (2017 - \$47,838).

Cash Used in Investing Activities

The Company used NIL cash in investing activities for the year ended July 31, 2018 and 2017.

**TIDAL ROYALTY CORP.
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Cash Generated by Financing Activities

Total net cash generated during the year ended July 31, 2018 was \$38,912,180 (2017 - \$2,986). The Company completed several financings, including non-brokered preferred share issuances, special warrant issuances and private placements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

The Directors and Executive Officers of the Company for the year ended July 31, 2018 were as follows:

Paul Rosen	Chief Executive Officer and Director
Terry Taouss	President
Theo van der Linde	Chief Financial Officer and Director
Courtland Livesley-James	VP Strategy
Kathryn Witter	Secretary
Brendan Purdy	Director
Brian Penny	Director
Stuart Wooldridge	Director

Formal management and/or consulting contracts are currently being reviewed.

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include all directors and officers. Key management compensation for the year ended July 31, 2018 and 2017 are comprised of the following:

	July 31, 2018 \$	July 31, 2017 \$
Consulting and management fees paid to a private company controlled by Paul Rosen	225,000	-
Salary paid to Paul Rosen	78,795	-
Salary paid to Terry Taouss	82,097	-
Salary paid to the VP of corporate development	19,528	-
Consulting and management fees paid to a private company controlled by Stuart Wooldridge	7,500	-
Consulting and management fees paid to a private company controlled by Theo van der Linde	67,935	-
Consulting and management fees paid to a private company controlled by Kathryn Witter	46,500	6,000
Consulting and management fees paid to a private company controlled by Courtland Livesley-James	116,667	-
Rent paid to a private company controlled by Theo van der Linde	9,100	-
Share based compensation	1,651,395	
Total	2,304,517	6,000

As at July 31, 2018, the Company owed \$18,685 (July 31, 2017 - \$22,766) to related parties. A loan of \$Nil (2017 - \$10,000) is included in the amount due to related parties above and it was for working capital purposes. The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

As at July 31, 2018, the Company had a loan payable of \$10,000 (2017 - \$30,000). The loan is unsecured, non-interest bearing and due on demand.

**TIDAL ROYALTY CORP.
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Proposed Transactions

There are no proposed transactions at the date of this report that have not been disclosed.

Management decided not to proceed with the announced royalty letter of intent signed with the Illinois Cannabis Company and the Palm Desert Cannabis Company.

Subsequent Events

CannaRoyalty Letter of Intent:

On August 27, 2018, the Company entered into a binding letter of intent ("LOI") with CannaRoyalty Corp. ("CannaRoyalty") to acquire 1,500 units in Alternative Medical Enterprises, LLC ("AltMed") and a royalty on U.S. and international sales of the MüV™ product line for aggregate consideration of \$8,000,000 in a combination of cash and common stock. The closing of the transaction is subject to, among other things, the satisfactory completion of due diligence and the receipt of all corporate and regulatory approvals.

Diem Definitive Agreement:

On August 31, 2018, the Company entered into a definitive agreement with Diem Cannabis ("Diem") to provide Diem with up to US\$12.5 million (the "Financing") over the next three years to develop and operate a large-scale cultivation and processing facility and up to four dispensaries in Massachusetts ("Business Plan"). The Financing will be secured by all of Diem's assets and shares, membership interest and other equity interests in Diem. The Company will be entitled to the equivalent of 15% of all net sales generated by the financed operations in Massachusetts.

On September 26, 2018, the Company converted 4,000,000 special finder's warrants into an equivalent number of units in the capital of the Company. As of October 31, 2018, the Company has not yet issued the 4,000,000 units in the capital of the Company pursuant to the conversion of the 4,000,000 special finders' warrants.

The Company intends to make a \$3,000,000 equity investment in an arms-length cannabis brands company ("California Company") that owns and operates two dispensaries and a cultivation facility in California. Each purchased unit will consist of one 12.0% unsecured convertible debenture of the California Company in the principal amount of \$1,000 and 87 common share purchase warrants of the California Company, each exercisable for one common share at an exercise price of \$8.60 for a period of 2 years. The Company's subscription amount is currently being held in escrow pending closing. If the closing does not occur, the entire subscription amount will be returned to the Company.

Subsequent to year end, the Company issued 12,700,000 common shares for gross proceeds of \$635,000 pursuant to warrant exercises.

After the close of trading on September 10, 2018, OTC Markets ceased trading Tidal Royalty's common shares under the symbol "TDRYF" as a result of an October 12, 2010 order issued by the Securities Exchange Commission ("SEC") revoking the registration of the common shares of a predecessor company to Tidal Royalty, Elkhorn Gold Mining Corp., for filing deficiencies pursuant to Section 12(j) of the Securities Exchange Act of 1934. As a result, broker-dealers in the United States are currently unable to effect transactions in the United States markets under the trading symbol TDRYF.

On October 17, 2018 Tidal Royalty filed a registration statement on Form 20-F with the SEC that Tidal Royalty expects will rectify the historical filing deficiencies of the predecessor entity and permit FINRA (the Financial Industry Regulatory Authority that regulates the OTC Markets) to reinstate Tidal Royalty's eligibility for quotation on the OTC Markets. Tidal Royalty is hopeful its common shares will resume trading on the OTC Markets before the end of the calendar year.

Filing of the Form 20-F does not guarantee that trading of Tidal Royalty's common shares on the OTC Markets will recommence in the near term or at all. The SEC may provide comments on Tidal Royalty's Form 20-F delaying or restricting the recommencement of trading. Tidal Royalty's common shares continue to trade publicly on the CSE under the symbol RLTY.U.

TIDAL ROYALTY CORP.
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Outstanding Share Data

At October 30, 2018, the date of this MD&A, there are:

Securities*	Number
Common shares	258,397,661
Special warrants	4,000,000
Share purchase warrants	129,661,365
Stock options	17,568,727
Preferred shares	40,000,000

On June 26, 2017, the Company consolidated its share capital on a one-for-three basis. All share and per-share information have been restated to retroactively reflect this consolidation for all periods presented.

Additional Disclosure for Venture Issuers without significant revenue

Additional disclosure concerning the Company's expenses is provided in the Company's statement of loss and note disclosures contained in its condensed interim financial statements for the period ended July 31, 2018. These statements are available on SEDAR - Site accessed through www.sedar.com.

Ability to Access Private and Public Capital and Nature of Securities

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its investments in the US legal cannabis industry. Although such investments carry a higher degree of risk, and despite the treatment of cannabis under U.S. federal laws, Canadian-based issuers involved in making U.S. cannabis-related investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the *Controlled Substances Act* of 1970 ("CSA"). Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws. The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks.

The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for investment into the US legal cannabis industry. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

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Additional Disclosure for Venture Issuers without significant revenue (continued)

Management's Responsibility for Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. In contrast to the certificate required under National Instrument 52-109 - *Certificate of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

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

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Disclosure for Venture Issuers without significant revenue (continued)

Forward-looking information

Statements included in this document that do not relate to present or historical conditions are “forward-looking statements”. Forward-looking statements are projections in respect of future events or the Company’s future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “intend”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, or “continue”, or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include statements with respect to: statements regarding estimated capital requirements and planned use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled “Risk Factors”, and other factors which may cause the Company’s actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com.

Risks Factors

Cannabis Industry and Operational Risks

The Company anticipates entering into financing arrangements involving royalties, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US, with a plan to focus its investments in the legal cannabis industry in the United States. There are certain risks involved with such business activities, including:

- although legalized for medical and adult use in a number of states, cannabis is illegal under US federal law;
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company’s cannabis business activities;
- the Company has no operating history in this sector;
- the operation of the Company can be impacted by adverse changes and developments affecting the Company’s interests;
- the Company’s ability to recruit and retain management, skilled labour and suppliers is crucial to the Company’s success;
- the Company’s ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering and other laws;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;

Risks Factors (continued)

Cannabis Industry and Operational Risks (continued)

- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and 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;
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;
- the companies that the Company finances face an inherent risk of product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury, which could have a material adverse effect on the business, results of operations and financial condition of the companies that the Company finances, and correspondingly the Company;
- 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;
- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the legal cannabis industry in the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the companies that the Company finances, and correspondingly the Company;
- the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, or its other interests, may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;

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Risks Factors (continued)

- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited (“CDS”) may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company’s current operations and/or disqualify its ability to settle its securities with CDS.

Price Volatility of Public Stock

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early-stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company’s shares will be subject to market trends generally and the value of the Company’s shares on a stock exchange may be affected by such volatility.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company’s financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management’s services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company’s directors and officers may serve as directors and officers, or may be associated with other reporting companies, or have significant shareholdings in other public or private companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (British Columbia) (“**Corporations Act**”) in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must, at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

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Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

While the Company currently only has ancillary involvement in the U.S. cannabis industry through its financing commitments to Diem, the Company anticipates entering into additional financing arrangements, which may include non-controlling investments in an entity directly involved in the U.S. marijuana industry, and the Company will evaluate, monitor and reassess the following disclosure, and any related risks, on an ongoing basis. The Company's disclosure regarding its marijuana-related activities will be supplemented, amended and communicated to investors in public filings, including in the event of a change in the type of industry involvement of the Company, government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Although the Company's activities, and the Company believes the activities of the companies it finances, are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis would neither absolve the Company or the entities the Company finances of liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against the Company.

Regulatory Risks

The U.S. legal cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. legal cannabis industry 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 restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 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 participant and, thereby, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. legal cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the participant and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's investments' earnings and could make future investments uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company expects to derive its revenues from the U.S. legal cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The Company's financings are expected to be focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use cannabis, even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum (defined below) in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's investments in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana-related legislation could adversely affect the Company, its business and its investments. The Company's funding of businesses involved in the medical and adult-use cannabis industry may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Through its financing activities, the Company will have a material ancillary involvement in the cannabis industry in the United States. Currently, the Company is not directly or indirectly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or adult-use cannabis marketplace in any jurisdiction within the United States.

Illegality under U.S. Federal Law

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state-level, cannabis continues to be categorized as a controlled substance under the CSA in the U.S. and, as such, activities within the cannabis industry are illegal under U.S. federal law.

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis-related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("**DOJ**") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum (the "**Sessions Memorandum**"). This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625—a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (“Leahy Amendment”). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018; however, Congress approved a nine-week continuing resolution from the 2018 fiscal year (the “Continuing Resolution”). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 fiscal year appropriations since February 2018. Although we expect that language protecting the medical cannabis industry will be included in the final 2019 fiscal year appropriations bill, there can be no assurance that the final 2019 fiscal year appropriations bill will include appropriations protecting the medical cannabis industry.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher-Farr Amendment in future budget resolutions, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's adult-use cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of laws related to cannabis may be subject to change or may not proceed as previously outlined.

The Company's investments in entities involved in the U.S. cannabis industry will be made: (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licenses, permits or authorizations to properly carry on each element of their business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold an investment, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act* of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the FinCEN issued the FinCEN Memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in a DOJ memorandum issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA (the "**2014 Cole Memo**"). The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

The Company's future investments, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Canadian Securities Regulatory Matters

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid and, until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange, should the Common Shares have become listed on a stock exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Common Shares through the facilities of the applicable stock exchange.

Risks Factors (continued)

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Heightened Scrutiny

For the reasons set forth above, the Company's future investments in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the United States is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed investment business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

TIDAL ROYALTY CORP.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

For the fiscal year ended July 31, 2017

October 31, 2017

This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the period ended July 31, 2017, compared to the period ended July 31, 2016. This report prepared as at October 31, 2017 intends to complement and supplement our annual financial statements (the "financial statements") as at July 31, 2017 and should be read in conjunction with the financial statements and the accompanying notes.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", or the "Company", we mean Tidal Royalty Corp. (formerly Tulloch Resources Ltd.)

Business Description

The Company is an investment company with a focus on the legal cannabis industry in the United States. We anticipate making investments involving conventional equity, licensing, royalties, debt and other forms of investments in private and public companies, in the US legal cannabis related industry.

The Company intends to invest in all aspects of the legal cannabis industry, including production, distribution, and technologies (such as extraction and processing equipment), delivery services, packaging and security services.

The success and ultimate outcome of the Company's operations cannot presently be determined because they are contingent on future matters. See Risk Factors

The Company is a reporting issuer in the provinces of British Columbia and Ontario with plans to list on the Canadian Securities Exchange (CSE).

Highlights and Overall Performance

With our shareholders' consent (received September 5, 2017), the Company changed its business from mineral exploration to that of investment company. The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies with a plan to focus its investments in the cannabis industry in the United States. While the Company has identified the legal cannabis industry to be of interest for investments, and while it is in discussions to make various acquisitions, it should be noted that (i) no contracts have been entered into, and (ii) as such there is no guarantee the Company will make any investments in cannabis related businesses, or, if made, that any such investments will be profitable. There can be no assurance that the Company will be successful in its ventures, or that it will meet the conditions for listing on the CSE. (See: Risk Factors). To execute this change in our business the Company has reorganized its management and added new directors to its board who have relevant investment experience. .

Significant Events

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

Selected Annual Information

The following table sets forth selected audited financial information for the Company for the three most recently completed financial years ended July 31, 2017 (“fiscal 2017”), and July 31, 2016 (“fiscal 2016”) and July 31, 2015. The financial information below has been prepared in accordance with IFRS.

For the year ended (Expressed in Canadian dollars)	July 31, 2017	July 31, 2016	July 31, 2015
Revenue	-	-	-
Gross loss	\$ 32,424	\$ 58,760	\$ 129,439
Net loss	32,424	58,760	129,439
Basic and diluted loss per share	0.01	0.02	0.02
Cash	20,265	1,585	9,118
Total assets	22,334	3,934	11,953
Total liabilities	157,991	107,167	66,426
Working Capital (deficit)	(\$135,657)	(\$103,233)	(\$54,473)
Shareholders' equity	(135,657)	(103,233)	(54,473)
Dividends	-	-	-
Number of Shares outstanding at year end	2,843,636	2,843,636	2,660,303

On July 26, 2017 the Company consolidated its share capital on a three for one basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

Results of Operations

The Company did not have any revenues from operations during the fiscal years ended July 31, 2017, July 31, 2016 and July 31, 2015. Please refer to the audited annual financial statements pertaining to those fiscal years for presentation of the significant operating costs.

During fiscal 2017, the Company's net loss decreased by \$26,336 from a net loss of \$58,760 for fiscal 2016 (\$0.02 per Share) to a net loss of \$32,424 (\$0.01 per Share) for fiscal 2017. The following is a breakdown of the expenses incurred by the Company in each fiscal 2017 and fiscal 2016:

Year Ended	July 31, 2017	July 31, 2016
Advertising and Promotion	\$ 1,508	\$ 6,083
Consulting Fees	6,000	31,480
General and Administration	1,285	12,518
Professional Fees	14,717	8,679
Transfer agent and filing fees	5,919	-
Travel	2,995	-
Total	\$ 32,424	\$ 58,760

Most categories of expenses showed decreases in 2017 compared with 2016, as the Company reorganized management and redirected its business. The increase in transfer agent and filing fees includes payments made to prior period outstanding invoices to the transfer agent. Increased professional fees and travel costs are related to activity associated with the Company's reorganization. The substantial decreases in general and administrative expenses are due to decreased activity during the period and the decrease in consulting fees due to the reorganization of management and related duties.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

Three Months Ended	Jul. 31 2017 \$	Apr 30 2017 \$	Jan 31 2017 \$	Oct 31 2016 \$	Jul. 31 2016 \$	Apr. 30 2016 \$	Jan 31 2016 \$	Oct 31 2015 \$
Total revenues	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	(24,854)	(5,390)	(1,267)	(913)	(18,188)	(3,438)	(14,432)	(22,702)
Net loss per share – Basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

During the three month period ending July 31, 2017, the Company incurred a net loss of \$24,854, compared with a loss of \$18,188 in the three month period ending July 31, 2016. Administration expenses made up the bulk of the expenses. The decreased loss for the year ending July 31, 2017 reflects lower expenses as management reduced expenses as the Company restructured management and implemented a new business plan.

Liquidity

At July 31, 2017, the Company had cash of \$20,265 (July 31, 2016 - \$1,585) which management considers being insufficient to continue operations for the coming year. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its investment goals and service its obligations listed in the audited consolidated financial statements, the Company will need to raise additional capital. The Company expects to finance operating costs by public or private placement of common shares, exercise of warrants, exercise of options, debt financing, or loans from directors and companies controlled by directors. There is a risk that the Company will not be able to secure sufficient working capital to continue as a going concern because of an inability to obtain external financing or an inability to raise sufficient capital in order to meet its obligations as they become due.

Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

Working Capital

At the year ended July 31, 2017, the Company had negative working capital of \$135,657 (July 31, 2016 - \$103,233) which management considered insufficient to continue operations for the coming year. The Company will be seeking to raise further funds from, private placements financings, loans from directors in order to continue operations, and in particular to fund ongoing expenditure commitments as they arise. The Company also plans to finance through private and public offerings.

For the Year Ended	July 31, 2017	July 31, 2016
Total Assets	\$ 22,334	\$ 3,934
Total Liabilities	157,991	107,167
Working Capital	(135,657)	(103,233)
Shareholder's Equity	(135,657)	(103,233)

Cash Used in Operating Activities

Net cash generated by/(used in) operating activities during the twelve months ended July 31, 2017 was \$15,694 (2016 – (50,160)) which mainly consisted of funds obtained through the delay of payment of accounts payable

Cash Used in Investing Activities

The Company used nil cash in investing activities in the fiscal years ended July 31, 2017 and 2016.

Cash Generated by Financing Activities

Total net cash generated during the fiscal year ended July 31, 2017 was \$2,986 by the issuance of loans payable net of repayment to related parties (2016 – \$ 42,627 resulting from loans from related parties and the issuance of 183,333 post-consolidated Shares).

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

Key Management Personnel Compensation

For the year ended	July 31, 2017	July 31, 2016
Consulting fee paid 555155BC Ltd. (a holding company 100% owned by Stuart Wooldridge)	\$ Nil	\$ 25,000
Consulting fee paid to Marketworks, Inc., (a company owned by Kathryn Witter)	\$ 6,000	\$ Nil
Total	\$ 6,000	\$ 25,000

At the end of fiscal 2017, the Company had accrued \$4,239 of compensation and expenses to 555155BC Ltd. (July 31, 2016: \$39,780), a Company controlled by an officer and director of the Company. The Company had accrued \$8,526 of compensation and expenses to Marketworks, Inc. (July 31, 2016: \$Nil.) a company controlled by an officer of the Company. Also as of July 31, 2017, the Company has a loan payable of \$10,000 due to an officer and director of the Company. The payable is unsecured, non-interest bearing and have no specific terms for repayment.

Fourth quarter results

For the three months ended July 31, 2017 the overall expenses totaled \$24,854 compared to \$18,188 in Q4-2016 resulting in a decrease of \$6,669.

Professional fees were \$14,717 in Q4-2017 (Q4-2016: \$429). The 14,288 increase is attributable to payment in different periods and increased activity requiring professional fees.

Consulting fees were \$6,000 in Q4-2017 (Q4-2016: \$16,000). The \$10,000 decrease is attributable to decreased

consulting fees incurred in Q4-2017.

Outstanding Share Data

At October 31, 2017 the Company had only common shares outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares	2,843,636	N/A	N/A
Fully diluted share capital	2,843,636	N/A	N/A

On July 26, 2017 the Company consolidated its share capital on a one-for-three basis. All share and per share information have been restated to retroactively reflect this consolidation for all periods presented.

During the year ended July 31, 2016, the shareholders approved the increase in the authorized share capital of the Company from 100,000,000 common shares to an unlimited number of common shares, without par value and created a new class for an unlimited number of preferred shares without par value.

Risks Factors

Marijuana industry and operational risks

The Company anticipates making investments involving conventional equity, debt and other forms of investments in private and public companies and anticipates seeking investment opportunities in the US .with a plan to focus its investments in the cannabis industry in the United States. There are certain risks involved with such business activities, including:

- Cannabis is illegal under US federal law, but has been legalized by many US states
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- the Company has no operating history in this sector;
- the operation of the Company can be impacted by adverse changes and developments affecting the Company's interests;
- the Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- the Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and 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.
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the

safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;

- the Company and other interests face 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;
- 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;
- the Company is largely reliant 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 cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because 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 may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, its other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

Price Volatility of Public Stock

In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

Economic Conditions

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts of Interest

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia ("Corporations Act") in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

Nature of Tidal's Involvement in the U.S. Cannabis Industry

Tidal intends to be indirectly involved (through investments in third-party entities in the United States – "Investees") in the cannabis industry in those states of the United States where local and state law permits such activities. Currently, the Company is not directly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or recreational cannabis marketplace in the United States.

Illegality under U.S. Federal Law

Almost half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or recreational level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the "CSA") in the United States and as such, activities within the cannabis industry are illegal under U.S. Federal Law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the United States are subject to a higher degree of uncertainty and risk. Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Issuer's business, revenues, operating results and financial condition as well as the Issuer's reputation, even if such proceedings were concluded successfully in favour of the Issuer.

There is also the risk that the Issuer's investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

U.S. Federal Enforcement Priorities

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the “Cole Memorandum”) acknowledging that although cannabis is a controlled substance at the federal level, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice (“DOJ”) has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. After taking office, Attorney General Jeff Sessions established a task force to study cannabis but so far, they have issued no final conclusions. As such, the enforcement of US federal laws with respect to cannabis remains uncertain and subject to change.

Tidal’s investments in entities involved in the US cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licences, permits or authorizations to properly carry on each element of their business.

Ability to Access Private and Public Capital

The Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Issuer expects to continue to rely almost exclusively on the capital markets to finance its investments in the US cannabis industry. Although such investments carry a higher degree of risk, and despite the illegal nature of cannabis under U.S. federal laws, Canadian based issuers involved in making U.S. cannabis based investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Issuer will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws.

Additional Disclosure for Junior Issuers

Proposed Transactions

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of the business.

Approval

The Board of Directors oversees management’s responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Forward-looking-information-advisory

Statements included in this document that do not relate to present or historical conditions are “forward-looking statements”. Forward-looking statements are projections in respect of future events or the Company’s future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “intend”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, or “continue”, or the negative of these terms or other comparable terminology. Forward-looking statements in this Listing Statement include statements with respect to: the ability of the Company to acquire BC wine for export; whether any wine acquired will be embraced by the purchasing public; expected future growth of the export market; the success of the concurrent financing, and statements regarding estimated capital requirements and use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled “Risk Factors”, and other factors which may cause the Company’s actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement

Forward Looking Information

Certain statements in this document constitute “forward-looking statements” and are based on current expectations and involve risks and uncertainties, referred to above and or in Tidal’s financial statements for the year ended July 31, 2017, that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in the forward-looking statements. Future results will not be consistent with the Company’s expectations, marijuana prices, demand for marijuana, currency exchange rates, political and operational risks inherent in farming or other business activities, legislative factors relating to prices, taxes, royalties, land use, title and permits, importing and exporting of marijuana, environmental protection, expenditures on property, plant and equipment, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions. This list is not exhaustive and should be considered carefully by prospective investors, who should not place undue reliance on such forward-looking statements. Factors that could cause actual results, developments or events to differ materially from those anticipated include, among others, the factors described or referred to elsewhere herein including, without limitation, under the heading “Risks and Uncertainties” and/or the financial statements, and include unanticipated and/or unusual events as well as actual results of planned programs and associated risk. Many of such factors are beyond Tidal’s ability to control or predict. Actual results may differ materially from those anticipated. Readers of this MD&A are cautioned not to put undue reliance on forward looking statements due to their inherent uncertainty. Forward-looking statements are made based upon management’s beliefs, estimates and opinions on the date the statements are made, which management believes are reasonable, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law. These forward-looking statements should not be relied upon as representing management’s views as of any date subsequent to the date of this MD&A.

Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) website at www.sedar.com.

APPENDIX C

**Interim Financial Statements of the Issuer
for the six months ended January 31, 2020**



**Condensed Interim Consolidated Financial
Statements**

For the three and six months ended

January 31, 2020 and 2019

(Expressed in Canadian dollars - Unaudited)

TIDAL ROYALTY CORP.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars - Unaudited)

AS AT	Notes	January 31, 2019 (Unaudited)	July 31, 2019 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 154,627	\$ 2,961,514
Other receivables		98,649	-
Convertible debenture receivable	5	17,712,200	15,000,000
Prepaid expenses and deposits	4	30,808	129,418
		17,996,284	18,090,932
Deposits	4	330,825	328,700
Promissory note receivable	6	4,119,938	3,412,421
Right-of-use assets	3	178,912	-
Land	7	-	592,655
Investments in equity securities	8	1,778,376	1,766,953
TOTAL ASSETS		\$ 24,404,335	\$ 24,191,661
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	9	\$ 348,224	\$ 336,540
Due to related parties	10	17,566	21,347
Lease liabilities	3	185,548	-
Loan payable	10	50,164	-
TOTAL LIABILITIES		601,502	357,887
EQUITY			
Convertible preferred shares	11	2,388,941	2,388,941
Common shares	11	49,124,043	48,525,793
Reserves	11	11,958,030	11,816,876
Accumulated other comprehensive income (loss)		16,949	(796)
Accumulated deficit		(39,685,130)	(38,897,040)
TOTAL EQUITY		23,802,833	23,833,774
TOTAL LIABILITIES AND EQUITY		24,404,335	\$ 24,191,661

Nature and Continuance of Operations (Note 1)

Commitment (Note 15)

Subsequent Events (Note 16)

Approved on behalf of the Board of Directors:

"Stuart Wooldridge"

Stuart Wooldridge, Director

"Theo van der Linde"

Theo van der Linde, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements

TIDAL ROYALTY CORP.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars - Unaudited)

	Three months ended		Six months ended	
	January 31, 2020	January 31, 2019	January 31, 2020	January 31, 2019
Expenses				
Advertising and promotion	\$ 4,427	\$ 192,726	\$ 81,682	\$ 2,347,800
Consulting fees (Note 10)	70,957	229,156	293,032	471,713
Depreciation (Note 3)	67,092	-	134,184	-
General and administration	4,614	124,149	15,206	251,745
Insurance	2,044	-	38,275	-
Interest expense (Note 3)	8,682	-	19,647	-
Professional fees	152,585	524,546	214,918	707,430
Rent (Note 10)	-	47,819	-	92,573
Salaries and benefits (Note 10)	-	303,394	1,191	562,201
Share-based compensation (Notes 10 and 11)	35,508	481,521	141,154	1,147,610
Transfer agent and filing fees	49,138	19,679	83,431	66,598
Travel	2,301	62,036	3,626	118,563
	(397,348)	(1,985,026)	(1,026,346)	(5,766,233)
Other income (expense)				
Accretion	-	84,024	-	84,024
Dividends income	-	-	5,227	-
Interest income	97,570	110,474	192,307	107,795
Foreign exchange gain (loss)	(687)	246,308	289	171,086
Loss on sale of land	-	-	(103,574)	-
Rent income	55,562	-	144,007	-
Net loss	\$ (244,903)	\$ (1,544,220)	\$ (788,090)	\$ (5,403,328)
Other comprehensive loss				
Foreign subsidiary currency translation gain (loss)	11,783	(3,384)	17,745	(3,384)
Net loss and comprehensive loss for the period	(233,120)	(1,557,604)	(770,345)	(5,406,712)
Loss per share, basic and diluted for the period	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	301,935,705	260,670,106	300,034,401	252,837,992

The accompanying notes are an integral part of these condensed interim consolidated financial statements

TIDAL ROYALTY CORP.

 Condensed Interim Consolidated Statements of Changes in Equity
 (Expressed in Canadian dollars –Unaudited)

	Number of convertible preferred shares #	Convertible preferred shares \$	Convertible preferred shares issuable \$	Number of common shares #	Common shares \$	Share- based payment reserve \$	Warrant reserve \$	Total reserves \$	Accumulated deficit \$	Accumulated other comprehensive income (loss) \$	Total shareholders ' equity \$
Balance, July 31, 2018	40,000,000	1,754,721	2,000,000	227,787,662	45,432,573	3,277,940	2,046,076	5,324,016	(20,285,319)	-	34,225,991
Conversion of preferred shares	40,000,000	2,000,000	(2,000,000)	-	-	-	-	-	-	-	-
Conversion of special warrants	-	-	-	12,690,000	634,500	-	(634,500)	(634,500)	-	-	-
Conversion of 4,000,000 special finder warrants	-	-	-	4,000,000	141,440	-	(141,440)	(141,440)	-	-	-
Conversion of 1,220,000 special finder warrants	-	-	-	1,220,000	61,000	-	(61,000)	(61,000)	-	-	-
Proceeds from warrants exercised	-	-	-	15,820,000	791,000	-	-	-	-	-	791,000
Share-based compensation	-	-	-	-	-	1,147,610	-	1,147,610	-	-	1,147,610
Accumulated other comprehensive loss	-	-	-	-	-	-	-	-	-	(3,384)	(3,384)
Net loss for the period	-	-	-	-	-	-	-	-	(5,403,328)	-	(5,403,328)
Balance, January 31, 2019	80,000,000	3,754,721	-	261,517,662	47,060,513	4,425,550	1,209,136	5,634,686	(25,688,647)	(3,384)	30,757,889
Balance, July 31, 2019	50,900,000	2,388,941	-	292,607,662	48,525,793	10,607,740	1,209,136	11,816,876	(38,897,040)	(796)	23,833,774
Proceeds from warrants exercised	-	-	-	11,965,000	598,250	-	-	-	-	-	598,250
Share-based compensation	-	-	-	-	-	141,154	-	141,154	-	-	141,154
Foreign subsidiary currency translation gain	-	-	-	-	-	-	-	-	-	17,745	17,745
Net loss for the period	-	-	-	-	-	-	-	-	(788,090)	-	(788,090)
Balance, January 31, 2020	50,900,000	2,388,941	-	304,572,662	49,124,043	10,748,894	1,209,136	11,958,030	(39,685,130)	16,949	23,802,833

The accompanying notes are an integral part of these condensed interim consolidated financial statements

TIDAL ROYALTY CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars - Unaudited)

	Six months ended	
	January 31, 2020	January 31, 2019
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (788,090)	\$ (5,403,328)
Items not affecting operating cash:		
Accretion	-	(84,024)
Depreciation	134,184	-
Interest income	(192,039)	(107,795)
Interest expense	19,811	-
Loss on sale of land	103,574	-
Foreign exchange gain	(22,200)	(8,570)
Share-based payments	141,154	1,147,610
	(603,606)	(4,456,107)
Net changes in non-cash working capital:		
Other receivables	(98,649)	(72,028)
Prepaid expenses and deposits	98,610	294,926
Accounts payables and accrued liabilities	7,903	(56,070)
	(595,742)	(4,289,279)
FINANCING ACTIVITIES		
Lease payments	(147,195)	-
Loan received	50,000	-
Proceeds from exercise of common share purchase warrants	598,250	791,000
	501,055	791,000
INVESTING ACTIVITIES		
Promissory note receivable	-	(2,816,418)
Convertible debenture receivable	(2,712,200)	-
Land	-	(592,475)
Investments	-	(9,572,000)
	(2,712,200)	(12,980,893)
Decrease in cash and cash equivalents	(2,806,887)	(16,479,172)
Cash and cash equivalents, beginning of the period	2,961,514	33,904,759
Cash and cash equivalents, end of the period	\$ 154,627	\$ 17,425,587
The components of cash and cash equivalents are:		
Cash at bank	\$ 154,627	\$ 17,425,587
Term deposit	-	-
	\$ 154,627	\$ 17,425,587
Non-cash Investing and Financing Activities		
Conversion of special warrants	\$ -	\$ 836,940
Property for promissory note	\$ 490,210	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars -Unaudited)

1. Nature and Continuance of Operations

Tidal Royalty Corp. ("the Company") was incorporated under the laws of British Columbia. The Company's principal business is to invest in conventional equity, debt and other forms of investments in private and public companies in Canada and the United States.

The head office, address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The principal place of business of the Company is 161 Bay St., Suite 4010, Toronto ON, M5J 2S1.

On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction").

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As at January 31, 2020, the Company has an accumulated deficit of \$39,685,130, no source of operating cash flow and no assurance that sufficient funding will be available. Management intends to raise funds through a combination of equity and/or debt financing, along with a realization of sale of investments. The success of these plans will also depend upon the ability of the Company to generate cash flows from its portfolio investments.

These condensed interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such amounts could be material. However, management has assessed and concluded that the Company has the ability to continue as a going concern for at least the next twelve months.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2019. These condensed interim consolidated financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended July 31, 2019, except for the adoption of IFRS 16 Leases as per Note 3(a) below.

The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2020.

These condensed interim consolidated financial statements have been prepared on the accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value.

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars -Unaudited)

2. Basis of Preparation and Statement of Compliance (continued)

Functional and Presentation Currency

These financial statements are presented in Canadian dollars. The functional currency of each entity is determined using the currency of the primary economic environment in which the entity operates. The Company's functional currency, as determined by management, is the Canadian dollar. The Company's US subsidiaries functional currencies, as determined by management, are the United States dollar.

Basis of Consolidation

As at January 31, 2020, the Company's structure includes Tidal Royalty Corp., the parent company incorporated pursuant to the laws of the Business Corporations Act (British Columbia), and the following subsidiaries:

Entity	Domicile of Incorporation	% of interest at January 31, 2020
Royalty USA Corp.	Delaware, USA	100%
RLTY Beverage 1 LLC	Delaware, USA	100%
RLTY Development MA 1 LLC	Delaware, USA	100%
RLTY Development 1 NV 1 LLC	Delaware, USA	100%
RLTY Development Orange LLC	Massachusetts, USA	100%
RLTY Development Springfield LLC	Massachusetts, USA	100%
RLTY Service LLC	Delaware, USA	100%
RLTY Development FLA 1 LLC	Delaware, USA	100%
RLTY Development FLA 2 LLC	Delaware, USA	100%
RLTY Development CA 1 LLC	Delaware, USA	100%
TDMA Orange LLC.	Massachusetts, USA	100%

These condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

Use of Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates:

i) Investments in equity securities, convertible and promissory notes receivable

Management uses valuation techniques in measuring the fair value of investments in equity securities, convertible and promissory notes receivable.

In applying the valuation techniques management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument.

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars -Unaudited)

2. Basis of Preparation and Statement of Compliance (continued)

Use of Estimates and Judgments (continued)

Where applicable data is not observable, company-specific information is considered when determining whether the fair value of an investment in equity securities or convertible and promissory notes receivable should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing investment in equity securities, convertible and promissory notes receivable.

ii) Share-based payment transactions

Management uses the Black-Scholes pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates and the dividend yield of the Company's common shares.

Significant accounting judgements:

i) Going concern

The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects.

ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

3. Significant Accounting Policies

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended July 31, 2019, with exception to the new accounting policies adopted by the Company discussed below.

(a) Adoption of New or Amended Accounting Standards

IFRS 16 *Leases* - IFRS 16 supersedes IAS 17 *Leases* and requires how leases will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. For leases where the Company is the lessee, it recognizes a right-of-use asset and a lease liability for its office premise leases previously classified as operating leases. The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on August 1, 2019, and has elected to set the right-of-use assets equal to the lease liabilities. As such the cumulative effect of initial application recognized in retained earnings at August 1, 2019 is \$nil. Accordingly, the comparative information presented for the prior period has not been restated and is presented as previously reported under IAS 17 and related interpretations.

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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3. Significant Accounting Policies (Continued)

(a) Adoption of New or Amended Accounting Standards (continued)

On adoption of IFRS 16, the Company used the following additional practical expedients:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognize right-of-use assets and lease liabilities for short-term leases with terms of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line or other systematic basis over the lease term;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Lease liabilities

On adoption of IFRS 16, the Company recognized lease liabilities on office premise which had previously been classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates applies to the lease liabilities on August 1, 2019. The incremental borrowing rate applied to the lease liabilities on August 1, 2019 was 15% per annum. The details of the lease liabilities recognized as August 1, 2019 are as follow.

	2019
	\$
Operating lease commitment disclosed as at July 31, 2019	343,239
Discount of future commitments as at August 1, 2019	(30,143)
Lease liabilities recognized as at August 1, 2019	313,096
Current lease liabilities	264,966
Non- current lease liabilities	48,130
Total lease liabilities	313,096

The following is the continuity of lease liabilities as at and for the six months ended January 31, 2020:

	2020
	\$
Balance, August 1, 2019	313,096
Lease payments	(147,195)
Interest expense on lease liabilities	19,647
Balance, January 31, 2020	185,548
Current lease liabilities	185,548
Non- current lease liabilities	-
Total lease liabilities	185,548

As at January 31, 2020, minimum lease payments for the lease liabilities are as follows:

Year ending	\$
July 31, 2020	147,102
July 31, 2021	49,034
Total undiscounted lease liabilities at January 31, 2020	196,136
Less: Interest on lease liabilities	(10,588)
Total present value of minimum lease payments at January 31, 2020	185,548

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3. Significant Accounting Policies (Continued)

(a) Adoption of New or Amended Accounting Standards (continued)

Right-of-use assets

On adoption of IFRS 16, the Company recognized right-of-use assets of \$313,096 related to its office premise lease. Right-of-use assets are measured at the initial amount of the lease liabilities, lease payments made at or before the commencement date less any lease incentives received, initial direct costs if any, and decommissioning costs to restore the site to the condition required by the terms and conditions of the lease. Subsequent to initial measurement, the Company applies the cost model to the right of-use assets and measures the asset at cost less any accumulated depreciation, accumulated impairment losses in accordance with IAS 36, and any remeasurements of the lease liabilities. Assets are depreciated from the commencement date on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (office premise and equipment lease) as at and for the six months ended January 31, 2020:

	January 31, 2020
Cost	\$
Balance, August 1, 2019	313,096
Addition	-
Balance, January 31, 2020	313,096
Accumulated depreciation	
Balance, August 1, 2019	-
Depreciation	134,184
Balance, January 31, 2020	134,184
Carrying amount, January 31, 2020	178,912

During the three and six months ended January 31, 2020, the Company recognized depreciation expenses of \$67,092 and \$134,184 and interest expense of \$8,589 and \$19,647, respectively.

(b) New Accounting Standards Issued but Not Yet Effective

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after August 1, 2019, or later periods. The Company has not early adopted these new standards in preparing these financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements

4. Prepaid Expenses and Deposits

	January 31, 2020	July 31, 2019
	\$	\$
Insurance	152	1,432
Advertising and promotion	9,188	71,736
Consulting	15	24,797
Deposits	21,453	31,453
	30,808	129,418

As at January 31, 2020, the Company had advanced a refundable deposit of \$330,825 (US \$250,000) to an arm's length vendor (July 31, 2019 - \$328,700).

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5. Convertible Debenture Receivable

MichiCann Medical Inc.

On February 25, 2019, pursuant to the terms of the Proposed Transaction, the Company advanced \$15,000,000 to MichiCann pursuant to a senior secured convertible debenture (the “February MichiCann Debenture”). On September 11, 2019, the Company advanced an additional \$2,712,200 (US \$2,000,000) of senior secured convertible debenture (the “September MichiCann Debenture”) to fund operations.

The February and September MichiCann Debenture (collectively, the “MichiCann Debentures”) are non-interest bearing, other than 12% in the event of default by MichiCann and matured on September 30, 2019 (the “Maturity Date”). The MichiCann Debentures are secured by way of first ranking security against the personal property of MichiCann. If the Proposed Transaction is not completed by the Maturity Date or MichiCann’s fails to comply with the terms of the MichiCann Debentures and MichiCann pursues an alternative go public transaction or a change of control transaction (an “Alternate Liquidity Transaction”), the Company may elect to convert, in whole or in part, the outstanding amount of the MichiCann Debentures into common shares of MichiCann at a price per MichiCann share that is the lesser if i) \$2.50 per MichiCann Share and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction. As the Proposed Transaction was not completed by October 25, 2019 (the “Transaction Completion Date), MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%.

The Company is in negotiation with MichiCann to extend the Maturity Date of MichiCann Debentures to March 31, 2020 and the Transaction completion date to May 25, 2020. Therefore, MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%.

The initial fair value of the February MichiCann Debenture was determined to be \$15,000,000 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$2.50; conversion price of \$2.50; risk-free interest rate of 1.73%; dividend yield of 0%; stock price volatility of 125%, an expected life of 0.50 years, and adjusted for a credit spread of 12.00% and a probability factor of 16% for the Alternate Liquidity Transaction.

As of January 31, 2020, the February MichiCann Debenture had an estimated fair value of \$15,000,000 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$5.00; conversion price of \$2.50; risk-free interest rate of 1.64%; dividend yield of 0%; stock price volatility of 76.22% an expected life of 0.16 years, and adjusted for a credit spread of 12.00% and a probability factor of 2% for the Alternate Liquidity Transaction. If the estimated volatility increases or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount.

The initial fair value of the September 11, 2019 MichiCann Debenture was determined to be \$2,636,200 (US \$ 2,000,000) using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$2.50; conversion price of \$2.50; risk-free interest rate of 1.66%; dividend yield of 0%; stock price volatility of 77.72% ,an expected life of 0.55 years, and adjusted for a credit spread of 12.00% and a probability factor of 24 % for the Alternate Liquidity Transaction.

As of January 31, 2020, the September MichiCann Debenture had an estimated fair value of \$2,722,000 (US \$ 2,000,000) using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of \$5.00; conversion price of \$2.50; risk-free interest rate of 1.64%; dividend yield of 0%; stock price volatility of 76.22% an expected life of 0.16 years, and adjusted for a credit spread of 12.00% and a probability factor of 2% for the Alternate Liquidity Transaction. If the estimated volatility increase or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount.

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6. Promissory Note Receivable

On August 31, 2018, the Company entered into a definitive agreement, as amended by the Supplemental Agreement dated October 15, 2018 and the Second Supplemental Agreement dated December 26, 2018 (collectively, the “Framework Agreement”), with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis (“Diem”) to provide TDMA LLC, a Massachusetts subsidiary of Diem (“TDMA”) with up to US\$12.5 million (the “Funding”) over the next three years to develop and operate a large-scale cultivation and processing facility (the “Site”) and up to four dispensaries (the “Dispensaries”).

The Funding will be in the form of (i) promissory notes advanced at various stages of development of operations in the state; and (ii) the purchase price for real property acquisitions with respect to Sites and Dispensaries. Newly-formed subsidiaries of RLTY Development MA 1 LLC will acquire title to the real property purchased in respect of the Site and Dispensary acquisitions and will enter into leases (“Leases”) with TDMA (or its nominee) with respect to their operation. The Leases will be “triple net” and will include payments of (i) annual base rent; (ii) percentage rent calculated as 15% of net sales; and (iii) additional rent relating to the costs of property insurance, real estate taxes and any maintenance and repair.

The Funding will be secured by (i) guarantees of the payment and performance of all obligations of TDMA by Diem and certain of its subsidiaries (the “Entity Guarantors”) and key individuals (the “Individual Guarantors”); (ii) liens over all of the assets of the Entity Guarantors; and (iii) pledges by the Entity Guarantors and Individual Guarantors of all equity interests in Diem and/or its subsidiaries. Once the Site and Dispensaries are operational and the Leases have been entered into, the Framework Agreement Promissory Note and all subsequently issued promissory notes (including interest accrued thereon) will be deemed satisfied in full.

During the year ended July 31, 2019, and pursuant to the Funding, the Company entered into various promissory note agreements (the “Framework Agreement Promissory Note”) with TDMA for \$3,216,274 (US \$2,446,208) as a working capital advance for licenses, Site build out, identification and negotiation of the purchase agreements for the Site and Dispensaries. The Framework Agreement Promissory Note bears interest of 10% per annum and is due on February 28, 2021, unless earlier satisfied.

On August 23, 2019, the Company entered into a Termination of Framework Agreement (the “Termination”) with Diem. Pursuant to the termination, the Company conveyed titles of certain properties to TDMA (See Note 7) in exchange for two promissory notes (the “Property Promissory Note”) for \$490,210 (US \$372,500). The Framework Agreement Promissory Note bears interest of 10% per annum and is due on August 31, 2021.

On September 26, 2019, the Company entered into a definitive Membership Interest Purchase Agreement (the “MIPA”) with TDMA to acquire all of the issued and outstanding equity in TDMA Orange, LLC, a Diem Cannabis subsidiary. Pursuant to the terms of the MIPA, the Company obtains 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts.

As consideration, the Company will forgive the Framework Agreement Promissory Note and Property Promissory Note including accrued interest, cross collateralization and general security arrangement. The Company expects the MIPA to close by April 30, 2020.

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6. Promissory Note Receivable (Continued)

Continuity for the periods presented is as follows:

	Total \$
Balance, July 31, 2018	-
Funds advanced	3,216,274
Accrued interest	197,429
Foreign exchange	(1,282)
Balance, July 31, 2019	3,412,421
Additions (Note 7)	490,210
Accrued interest	192,039
Foreign exchange	25,268
Balance, October 31, 2019	4,119,938

7. Land

During the year ended July 31, 2019, through the Company's wholly owned subsidiary and pursuant to the definitive agreement with Diem, RLTY Development Springfield LLC (the "Springfield Property") and RLTY Development Orange LLC (the "Orange Property"), the Company acquired two Sites for \$592,655 (US \$450,757). On October 8, 2019, the Company sold the Springfield Property and Orange Property land to TDMA in exchange for \$490,210 (US \$372,500) of the Property Promissory Notes that bears 10% interest and matures on August 31, 2021 (See note 6). The Property Promissory Notes are secured against the Springfield Property and Orange Property. The Company recognized a loss on sale of land of \$103,574(US \$78,257).

8. Investments in Equity Securities

Continuity for the six months ended January 31, 2020 is as follows:

Fair value hierarchy level	Level 3	Level 2	Total
	Harborside Inc. Warrants	Lighthouse Strategies, LLC	
Investments Measured at FVTPL	\$	\$	\$
Balance, July 31, 2019	82,061	1,684,892	1,766,953
Foreign exchange	531	10,892	11,423
Balance, January 31, 2020	82,592	1,695,784	1,778,376

The Company had no investments in equity securities during the six-month period ended January 31, 2019.

Harborside Inc. Warrants

On November 11, 2018, the Company received 263,523 share purchase warrants. The initial fair value of the warrants was \$536,697 computed using the Black – Scholes option pricing model based on the following assumptions: estimated share price of \$5.95; exercise price of \$8.60; risk-free interest rate of 2.20%; dividend yield of 0%; stock price volatility of 81% and an expected life of 2 years.

As at July 31, 2019, the warrants remain unexercised with a fair value of \$82,061 computed using the Black – Scholes option pricing model based on the following assumptions: estimated share price of \$3.10; exercise price of \$8.60; risk-free interest rate of 1.61%; dividend yield of 0%; stock price volatility of 81% and an expected life of 1.3 years. If the estimated volatility increase or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount.

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8. Investments in Equity Securities (Continued)

As at January 31, 2020, the warrants remain unexercised with a fair value of \$82,592 computed using the Black – Scholes option pricing model based on the following assumptions: estimated share price of \$3.10; exercise price of \$8.60; risk-free interest rate of 1.61%; dividend yield of 0%; stock price volatility of 81% and an expected life of 1.3 years. If the estimated volatility increase or decrease by 10%, the estimated fair value would increase or decrease by a nominal amount.

Lighthouse Strategies, LLC

On January 9, 2019 the Company closed its strategic investment of \$6,574,000 (US \$5,000,000) in Lighthouse Strategies LLC (“Lighthouse”) Series A membership units concurrently with a financing arrangement for certain Lighthouse beverage lines. Pursuant to the Financing Fee Agreement, the Company is entitled to 1% of net sales of certain of Lighthouse’s beverage lines, including Cannabiniers, Two Roots Brewing Co and Creative Waters Beverage Company (“Financing Fees”). Financing Fees will accrue until December 1, 2019, at which point the Company may choose to receive such fees in cash or Series A membership units of Lighthouse. Thereafter, financing fees are payable quarterly in cash. The terms of the Financing Fee Agreement are between four and six years, depending on certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control, or initial public offering). Management estimated that the 1% royalty of net sales had a fair value of \$Nil and the entire transaction price was allocated to the membership units.

As at January 31, 2020, the investment had an estimated fair value of \$1,695,784 (July 31, 2019 - \$1,684,892) based on Lighthouse’s most recent financing preceding January 31, 2020.

9. Accounts Payable and Accrued Liabilities

	January 31, 2020	July 31, 2019
	\$	\$
Accounts payables	328,224	304,540
Accrued liabilities	20,000	32,000
	348,224	336,540

10. Related Party Transactions and Balances

The Company has identified its directors and certain senior officers as its key management personnel.

Key management compensation for the three and six months ended January 31, 2020 and 2019 is as follows:

	Three months ended		Six months ended	
	January 31		January 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
Short-term employee benefits:				
Consulting and accounting fees	61,790	33,000	234,740	87,250
Salary and benefits	-	148,750	-	297,500
	61,790	181,750	234,740	384,750
Share-based compensation	8,185	184,654	20,335	519,513
Total	69,975	366,404	255,075	904,263

During the three and six months ended January 31, 2020 the Company paid \$Nil in rent (January 31, 2019 - \$1,500 and \$3,000, respectively) to related parties comprised of directors, officers and companies with common directors.

As at January 31, 2020, \$17,566 was due to the Companies controlled by directors and officers (July 31, 2019 - \$21,347). The amounts are unsecured, non-interest bearing and due on demand.

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10. Related Party Transactions and Balances (Continued)

As at January 31, 2020, loan and interest payable to a Company controlled by an officer was \$50,164, with a total interest accrual of \$164 (July 31, 2019 - \$Nil). The loan is due on demand and bears interest at 8% per annum.

11. Share Capital

Authorized

Unlimited number of common shares without par value, and unlimited number of Series 1 Convertible Preferred shares without par value, participating, each share convertible into one common share by the holder, and non-voting.

Issued and Outstanding

As at January 31, 2020, there were 50,900,000 (July 31, 2019 – 50,900,000) Series 1 Convertible Preferred Shares and 304,572,662 (July 31, 2019 -292,607,662) common shares issued and outstanding.

Convertible Preferred Shares

During the six months ended January 31, 2020, there were no convertible preferred share transactions.

Common Shares

During the six months ended January 31, 2020, the Company issued 11,965,000 common shares pursuant to the exercise of 11,965,000 warrants for gross proceeds of \$598,250.

Stock Options

Under the Company's stock option plan (the "Plan") the Company has adopted a 20% rolling stock option plan ("Plan") to replace its previous 10% rolling plan. The Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, technical consultants and other participants to the Company, non-transferrable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant. In addition, the number of common shares which may be issuable under the Plan within a one year period: (i) to any one individual shall not exceed 5% of the issued and outstanding common shares; and (ii) to a consultant or an employee performing investor relations activities, shall not exceed 2% of the issued and outstanding common shares. The underlying purpose of the Plan is to attract and motivate the directors, officers, employees and consultants of the Company and to advance the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Plan.

Continuity of stock options outstanding for the periods presented is as follows:

	Options outstanding	Weighted average exercise price \$
Balance, July 31, 2019	28,785,766	0.33
Forfeited	-	-
Issued	-	-
Balance, January 31, 2020	28,785,766	0.33

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*(Expressed in Canadian dollars -Unaudited)***11. Share Capital (Continued)**

As at January 31, 2020, the outstanding and exercisable stock options are as follows:

Expiry Date	Exercise price \$	Number of options #	Exercisable options #
September 24, 2020	US\$0.24	100,000	50,000
April 26, 2024	US\$0.26	20,477,039	20,477,039
June 22, 2023	0.33	7,488,727	6,694,977
December 12, 2023	US\$0.12	720,000	270,000
	0.33	28,785,766	27,492,016

During the three and six months ended January 31, 2020, the Company recognized \$35,508 and \$141,154 (January 31, 2019- \$481,521 and \$1,147,610) in share-based compensation expense, respectively..

Common Share Purchase Warrants

The continuity of the Company's common share purchase warrants for the periods presented is as follows:

	Number of share purchase warrants #	Weighted average exercise price \$
Outstanding, July 31, 2019	125,771,365	0.06
Exercised	(11,965,000)	(0.05)
Outstanding, January 31, 2020	113,806,365	0.05

As of January 31, 2020, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry Date	Exercise price \$	Number of warrants #
February 8, 2020	0.05	54,307,000
March 1, 2020	0.05	40,512,000
April 30, 2020	0.05	13,805,000
June 11, 2020	0.33	5,182,365
		113,806,365

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12. Financial Instruments and Risks

(a) Fair Values and Classification

The Company's financial instruments consist of cash and cash equivalent, convertible debenture receivable, promissory note receivable, investments in equity securities, accounts payable, due to related parties and loan payable. Financial instruments are classified into one of the following categories: FVTPL, FVTOC, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	January 31, 2020	July 31, 2019
Cash and cash equivalents	FVTPL	\$ 154,627	\$ 2,961,514
Convertible debenture receivable	FVTPL	17,712,200	15,000,000
Promissory note receivable	FVTPL	4,119,938	3,412,421
Investments in equity securities	FVTPL	1,778,376	1,766,953
Loan payable	Amortized cost	50,164	-
Accounts payable	Amortized cost	328,224	304,540
Due to related parties	Amortized cost	17,566	21,347

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels. The three levels are defined as follows:

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

Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair measurement. The Company's financial assets measured on a recurring basis at fair value are as follows:

	January 31, 2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 154,627	\$ -	\$ -	\$ 154,627
Convertible debenture receivable	-	-	17,712,200	17,712,200
Promissory note receivable	-	4,119,938	-	4,119,938
Investments in membership units	-	1,695,784	-	1,695,784
Investments in warrants	-	-	82,592	82,592
Total	154,627	5,815,722	17,794,792	23,765,141

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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12. Financial Instruments and Risks (Continued)

(a) Fair Values and Classification (continued)

Changes in level 3 items for the six months ended January 31, 2020 are as follows:

	Convertible debenture receivable	Investments in warrants
Balance, July 31, 2019	\$ 15,000,000	\$ 82,061
Additions	2,712,200	-
Foreign exchange	-	531
Balance, January 31, 2020	17,712,200	82,592

During the six months ended January 31, 2020, there were no level 3 items transactions.

The fair values of accounts payables, due to related parties and notes payable approximate their carrying value due to their short-term maturity.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is equal to the carrying value of cash and cash equivalents, deposits, convertible debenture receivable and promissory note receivable.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal.

(c) Foreign Exchange Rate and Interest Rate Risk

Foreign exchange rate

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	January 31, 2020	July 31, 2019
Balance in US dollars:		
Prepaid expenses and deposits	\$ 250,000	\$ 250,000
Promissory note receivable	3,113,382	2,595,392
Convertible debenture receivable	2,000,000	-
Net exposure	5,363,382	2,845,392
Balance in Canadian dollars:	\$ 7,097,363	\$ 3,741,121

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12. Financial Instruments and Risks (Continued)

(c) Foreign Exchange Rate and Interest Rate Risk (continued)

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$708,000 for the period ended January 31, 2020 (July 31, 2019 - \$374,000).

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is exposed to interest rate risk with respect to its convertible debenture receivable (see Note 5) and its promissory note receivable (see Note 6).

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations using cash. The ability to do so relies on the Company raising equity financing in a timely manner. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

The following are contractual maturities of financial liabilities as at January 31, 2020:

	Carrying amount	Contractual cash flows	Within 1 year
Accounts payable and accrued liabilities	\$ 348,224	\$ 348,224	\$ 348,224
Due to related parties	17,566	17,566	17,566
Loan payable	50,164	50,164	50,164
Lease liabilities	185,548	185,548	185,548

13. Capital Management

The Company's objectives when managing capital are to identify and pursue business opportunities, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. The Company's principal source of funds is through the issuance of equity. Management considers all components of shareholders' equity as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The Company's overall strategy with respect to capital risk management remains unchanged from the year ended July 31, 2019.

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars -Unaudited)

14. Segment Information

The Company currently operates in a single reportable operating segment.

For the six-month period ended January 31, 2020, the Company operated in two geographical areas being Canada and the United States of America.

As at January 31, 2020, non-current assets other than financial instruments were located in Canada. As at July 31, 2019, the Company had the following:

	Canada	United States of America	Total
Non-current assets other than financial instruments	\$ -	\$ 592,655	\$ 592,655

15. Commitments

Amended and Re-stated Agreement with MichiCann

On March 12, 2020, the Company and MichiCann entered into an amended and restated business combination agreement (the "Amended Agreement") pursuant to which the Company will acquire all of the issued and outstanding shares of MichiCann (the "Proposed Transaction") on a 2:1 basis, subject to adjustment in certain circumstances (the "Exchange Ratio"). The terms of the Amended Agreement provide that the share consideration will now be comprised of one (1) common share (the "Common Shares") and one (1) series 2 convertible preferred share (the "Series 2 Shares") of the resulting company (the "Resulting Issuer"). The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of Common Shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the "Dividends"), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven (7) month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two (2) year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase Common Shares and Series 2 Shares in accordance with the Exchange Ratio.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly-owned subsidiary of the Company ("Subco") will amalgamate with MichiCann (the "Amalgamation"), which will require the approval of 66 2/3 of the votes cast by MichiCann shareholders at a special meeting of shareholders to be held. The Proposed Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the "CSE") and as a result the Company will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent.

The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, the Company will (i) complete a share consolidation on a 16:1 basis (the "Consolidation"), (ii) change its name to "Red White & Bloom Brands Inc." (the "Name Change") and (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of the Company and three (3) nominees of MichiCann (the "Board Appointments").

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the Common Shares, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature.

TIDAL ROYALTY CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars -Unaudited)

15. Commitments (continued)

On January 10, 2020, MichiCann closed the acquisition of Mid-American Growers, Inc. pursuant to an agreement and plan of merger dated October 9, 2019, as amended on January 9, 2020 by way of a merger between MichiCann's wholly-owned subsidiary, RWB Acquisition Sub, Inc., and Mid-American Growers Inc. under the laws of Delaware to form MAG. On the same day, MichiCann's wholly-owned subsidiary, RWB Illinois Inc. acquired 142 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles.

In connection with the Proposed Transaction, Tidal and MichiCann have filed updated application materials with the CSE to list the Common Shares. The Proposed Transaction remains subject to a number of conditions, including CSE approval and requisite shareholder approvals. The common shares of Tidal are currently halted from trading on the CSE pending completion of the Proposed Transaction and the parties are working towards obtaining CSE approval of the amended terms of the Proposed Transaction in March with the recommencement of trading shortly thereafter.

As at March 31, 2020, the transaction has not yet closed.

16. Subsequent Events

Subsequent to January 31, 2020, the Company issued 70,858,999 shares pursuant to the exercise of share purchase warrants for gross proceeds of \$3,542,950.

Subsequent to January 31, 2020, the Company entered into an amendment to MichiCann Debentures (see Note 5) to extend the Maturity Date to April 30, 2020 and the Transaction completion date to May 25, 2020. The Company also advanced MichiCaan an additional US \$ 500,000 to fund operations. As a result, principal amount of September MichiCann Debenture was increased to USD \$2,500,000.

APPENDIX D

Management Discussion & Analysis of the Issuer

for the six months ended January 31, 2020



Management's Discussion and Analysis

For the six-month period ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

**TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019**

This management's discussion and analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the period ended January 31, 2020 compared to the period ended January 31, 2019. This report prepared as at March 31, 2020 intends to complement and supplement our condensed interim consolidated financial statements for the period ended January 31, 2020 (the "Financial Statements"). This report should also be read in conjunction with the audited Financial Statements and the accompanying notes to our financial statements for the year ended July 31, 2019 (the "Financial Statements") and should be read in conjunction with the Financial Statements and the accompanying notes.

Our Financial Statements and the management's discussion and analysis are intended to provide a reasonable basis for the investor to evaluate our financial situation.

Our Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "Tidal Royalty", we mean Tidal Royalty Corp.

Additional information on the Company is available on SEDAR at www.sedar.com.

Business Description

Tidal Royalty Corp. was incorporated under the laws of British Columbia as Treminco Resources Ltd. on March 12, 1980. The name was changed to Elkhorn Gold Mining Corporation on February 8, 1999 and to Tulloch Resources Ltd. on October 12, 2011 and to Tidal Royalty Corp. on July 18, 2017. The Company is an investment company with a focus on the legal cannabis industry in the United States. The Company is a reporting issuer in the provinces of British Columbia and Ontario and on June 25, 2018, the Company's shares commenced trading on the CSE under the trading symbol "RLTY".

The head office and records office of the Company are located at Suite 810, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The principal place of business of the Company is 161 Bay St., Suite 4010, Toronto ON, M5J 2S1.

Amended and re-stated agreement with MichiCann

On March 12, 2020, the Company and MichiCann entered into an amended and restated business combination agreement (the "Amended Agreement") pursuant to which the Company will acquire all of the issued and outstanding shares of MichiCann (the "Proposed Transaction") on a 2:1 basis, subject to adjustment in certain circumstances (the "Exchange Ratio"). The terms of the Amended Agreement provide that the share consideration will now be comprised of one (1) common share (the "Common Shares") and one (1) series 2 convertible preferred share (the "Series 2 Shares") of the resulting company (the "Resulting Issuer"). The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of Common Shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the "Dividends"), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven (7) month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two (2) year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase Common Shares and Series 2 Shares in accordance with the Exchange Ratio

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly-owned subsidiary of the Company ("Subco") will amalgamate with MichiCann (the "Amalgamation"), which will require the approval of 66 2/3 of the votes cast by MichiCann shareholders at a special meeting of shareholders to be held. The Proposed Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the "CSE") and as a result the Company will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent.

The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, the Company will (i) complete a share consolidation on a 16:1 basis (the "Consolidation"), (ii) change its name to "Red White & Bloom Brands Inc." (the "Name Change") and (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of the Company and three (3) nominees of MichiCann (the "Board Appointments").

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019

Amended and re-stated agreement with MichiCann (continued)

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the Common Shares, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature.

On January 10, 2020, MichiCann closed the acquisition of Mid-American Growers, Inc. pursuant to an agreement and plan of merger dated October 9, 2019, as amended on January 9, 2020 by way of a merger between MichiCann's wholly-owned subsidiary, RWB Acquisition Sub, Inc., and Mid-American Growers Inc. under the laws of Delaware to form MAG. On the same day, MichiCann's wholly-owned subsidiary, RWB Illinois Inc. acquired 142 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles.

In connection with the Proposed Transaction, Tidal and MichiCann have filed updated application materials with the CSE to list the Common Shares. The Proposed Transaction remains subject to a number of conditions, including CSE approval and requisite shareholder approvals. The common shares of Tidal are currently halted from trading on the CSE pending completion of the Proposed Transaction and the parties are working towards obtaining CSE approval of the amended terms of the Proposed Transaction in March with the recommencement of trading shortly thereafter.

As at March 31, 2020, the transaction has not yet closed.

History: Original agreement with MichiCann

On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). Pursuant to the definitive agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of Tidal for 1 MichiCann common share. The Proposed Transaction is considered as a reverse take-over. The Proposed Transaction will be completed by way of a three-cornered amalgamation ("Amalgamation"), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

MichiCann is a private cannabis investment Company that holds an 8% senior secured convertible debenture to acquire all of the issued and outstanding shares of its Michigan based investee ("OpCo"), a private company incorporated under the laws of the state of Michigan. OpCo has been granted a step 1 prequalification by the Medical Marijuana Licensing Board and has been awarded multiple municipal approvals for grower permits (cultivation), manufacturing (extraction and derivative manufacturing) and provisioning centers (dispensaries).

Investments

During the year ended July 31, 2019, the Company has made several investments in the U.S. cannabis industry. The Company's current portfolio consists of strategic investments with Michicann, Diem Cannabis (Oregon and Massachusetts), Lighthouse Strategies, LLC (California and Nevada); and FLRish Inc. d/b/a Harbourside (California). Management is currently exploring synergies with these partners as it focuses on its goal of becoming one of the largest MSOs in the US. Management continues to see large-scale potential in these investments as they are led by highly-skilled and experienced management teams across multiple industry verticals, including cultivation, processing, and distribution.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019

Highlights and Overall Performance

During the period ended January 31, 2020 and subsequent and the year ended July 31, 2019, the Company has successfully executed a number of key steps to develop and execute its business plan:

1. On August 31, 2018, the Company entered into a definitive agreement with VLF Holdings LLC, an Oregon limited liability company d/b/a Diem Cannabis ("Diem") to finance the expansion of TDMA LLC, a Massachusetts subsidiary of Diem ("TDMA") into Massachusetts. Pursuant to the agreement, the company will provide Diem with up to US\$12.5 million (the "Financing") over three years to develop and operate a large-scale cultivation and processing facility (the "Site") and up to four dispensaries (the "Dispensaries").

During the year ended July 31, 2019, and pursuant to the Funding, the Company entered into a promissory note ("Promissory Note") agreement with TDMA for \$3,216,274 (USD \$2,446,208) (July 31, 2018 - \$Nil) as a working capital advance for licenses, Site build out, identification and negotiation of the purchase agreements for the Site and Dispensaries. The Promissory Note bears interest of 10% per annum and is due on February 28, 2021, unless earlier satisfied as described below.

During the year ended July 31, 2019, through the Company's wholly owned subsidiary and pursuant to the definitive agreement with Diem, RLTY Development Springfield LLC (the "Springfield Property") and RLTY Development Orange LLC (the "Orange Property"), the Company acquired two Sites. The Company acquired the two Sites for \$592,655. On October 8, 2019, the Company sold the Springfield Property and Orange Property land to TDMA in exchange for \$490,210 (US \$372,500) of Secured Promissory Notes ("Property Promissory Notes") that bears 10% interest and matures on August 31, 2021. The Property Promissory Notes are secured against the Springfield Property and Orange Property.

On September 26, 2019, as part of an endeavor to terminate the royalty agreement and in compliance with the broader strategic mandate to become a pure Multi-State Operator ("M.S.O.") upon completion of the merger with Red White and Bloom, Tidal Royalty (CSE:RLTY.U) and Diem Cannabis have entered into a definitive Membership Interest Purchase Agreement (the "MIPA") for Tidal Royalty to purchase all of the issued and outstanding equity in TDMA Orange, LLC, a Diem Cannabis subsidiary. This acquisition provides Tidal Royalty with full control and 100% ownership in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts. Closing of the MIPA is subject to the standard approvals and change of control proceedings overseen by the Massachusetts Cannabis Control Commission and is expected to be completed by Q2 2020. Upon completion of the change of control, Tidal Royalty will control an indoor cultivation license for 10,000sf of canopy, an outdoor cultivation license for 40,000sf of canopy and a processing license. Each of the licenses are State Provisional licenses, effectively one step from becoming final licenses and all are licensed to supply into the adult use and medical markets in the Commonwealth of Massachusetts. Closing of the MIPA is the final milestone required to satisfy the previously executed royalty termination agreement, which will concurrently release Diem Cannabis from its promissory note including all accrued interest, cross collateralization and general security arrangement over all of its assets and mortgages over the Orange property and Springfield properties conveyed to Diem Cannabis by Tidal Royalty as part of the termination agreement in consideration for the licenses described above.

On February 25, 2019, the Company completed an advance of \$15,000,000 to MichiCann Medical Inc. (operating as Red White & Bloom) pursuant to a senior secured convertible debenture (the "February MichiCann Debenture"). The MichiCann Debenture is non-interest bearing, other than in the event of a default by MichiCann thereunder, and will mature on November 30, 2019 (the "Maturity Date"), with the Maturity Date being extendable in certain circumstances. On September 11, 2019 the Company amended the MichiCann Debenture and advanced an additional US \$2,000,000 to fund MichiCann working capital ("the September MichiCann Debenture").

Subsequent to the quarter ended January 31, 2020, the Company entered into an amendment to the February and September MichiCann Debenture to extend the Maturity Date to April 30, 2020 and the Transaction completion date to May 25, 2020. The Company also advanced MichiCann an additional US \$ 500,000 to fund operations. As a result, principal amount of September MichiCann Debenture was increased to USD \$2,500,000

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019

Highlights and Overall Performance (continued)

The obligations under the MichiCann Debenture are secured by way of a first ranking security against the personal property of MichiCann. In the event that the proposed acquisition by the Company of all of the issued and outstanding shares of MichiCann (the "Proposed Transaction") is not completed by the Maturity Date as result of, among other things, MichiCann's failure to comply with the definitive documentation for the Proposed Transaction, and MichiCann is at such time pursuing an alternative go public transaction or a change of control transaction (an "Alternate Liquidity Transaction"), the Company may elect to convert, in whole or in part, the outstanding amount under the MichiCann Debenture into common shares of MichiCann ("MichiCann Shares") at a price per MichiCann Share that is the lesser of (i) \$2.50 per MichiCann Share, and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction.

It is anticipated that MichiCann will use the funds advanced by the Company, solely to fund the acquisition of additional cannabis Provisioning Centers (dispensaries) in Michigan by its Michigan based investee Opco, and for general working capital purposes.

2. Previous agreement:

On May 13, 2019, the Company entered into a business combination agreement (the "Definitive Agreement") with MichiCann Medical Inc. (d/b/a Red White & Bloom) ("MichiCann"), with respect to the acquisition of all of the issued and outstanding shares of MichiCann ("Proposed Transaction"). Pursuant to the definitive agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of tidal for 1 MichiCann common share ("Exchange Ratio"). Upon completion of the Proposed Transaction, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company, respectively on a fully diluted basis at the time the transaction was first announced on February 14, 2019. The Proposed Transaction is considered as a reverse take-over. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase common shares based on the Exchange Ratio. The Proposed Transaction will be completed by way of a three-cornered amalgamation ("Amalgamation"), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

The Definitive contemplates the following terms:

- The Company will complete a share consolidation on an 8:1 basis;
- Change its name to "Red White & Bloom Inc." or such other name as may be approved by the board of directors;
- Reconstitute the board to include a total of 6 directors, of which 4 are nominees of MichiCann and 2 existing board members of the Company.

3. New proposed transaction:

During March 2020, the Company has entered into an amended and restated business combination agreement (the "Amended Agreement") with MichiCann Medical Inc. ("MichiCann") pursuant to which the Company will acquire all of the issued and outstanding shares of MichiCann (the "Proposed Transaction") on a 2:1 basis, subject to adjustment in certain circumstances (the "Exchange Ratio"). The terms of the Amended Agreement provide that the share consideration will now be comprised of one (1) common share (the "Common Shares") and one (1) series 2 convertible preferred share (the "Series 2 Shares") of the resulting company (the "Resulting Issuer"). The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of Common Shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the "Dividends"), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven (7) month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two (2) year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase Common Shares and Series 2 Shares in accordance with the Exchange Ratio.

Highlights and Overall Performance (continued)

3. New proposed transaction: (continued)

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly-owned subsidiary of the Company will amalgamate with MichiCann (the "Amalgamation"). The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, the Company will

- (i) complete a share consolidation on a 16:1 basis,
- (ii) change its name to "Red White & Bloom Brands Inc." and
- (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of the Company and three (3) nominees of MichiCann.

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to

- (i) obtaining the requisite shareholder approvals,
- (ii) the completion of the Consolidation, the Name Change and the Board Appointments,
- (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the Common Shares,
- (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and
- (v) other closing conditions customary for transactions of this nature.

On January 10, 2020, MichiCann closed the acquisition of Mid-American Growers, Inc. pursuant to an agreement and plan of merger dated October 9, 2019, as amended on January 9, 2020 by way of a merger between MichiCann's wholly-owned subsidiary, RWB Acquisition Sub, Inc., and Mid-American Growers Inc. under the laws of Delaware to form MAG. On the same day, MichiCann's wholly-owned subsidiary, RWB Illinois Inc. acquired 142 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles.

In connection with the Proposed Transaction, Tidal and MichiCann have filed updated application materials with the CSE to list the Common Shares. The Proposed Transaction remains subject to a number of conditions, including CSE approval and requisite shareholder approvals. The common shares of Tidal are currently halted from trading on the CSE pending completion of the Proposed Transaction and the parties are working towards obtaining CSE approval of the amended terms of the Proposed Transaction in March with the recommencement of trading shortly thereafter.

All information contained in the press release and in this MD&A with respect to Tidal and MichiCann was supplied by the parties respectively, for inclusion herein, and each party has relied on the other in respect of such information.

Overview of MichiCann

MichiCann is a private cannabis investment company incorporated under the laws of Ontario with a head office in Vaughan, Ontario. MichiCann has an experienced management team with a track record in the cannabis industry including its Chief Executive Officer, Brad Rogers, who was a founder of Mettrum Health Corp. (before its sale to Canopy Growth Corporation) and the former President of CannTrust Holdings Inc.

MichiCann holds an 8% senior secured convertible debenture (the "Debenture") and a put/call option (the "Put/Call Option") to acquire all the issued and outstanding shares of its Michigan based investee ("OpCo"), a private company incorporated under the laws of the State of Michigan. OpCo has been granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan and has been awarded multiple municipal

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019

Overview of MichiCann (continued)

approvals for grower permits (cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries).

In addition to the licenses awarded to OpCo, they have been aggressively pursuing merger and acquisition activity in Michigan where it has closed on its first eight dispensaries, with three more expected to close in the coming days. OpCo has either signed, or is in the final stages of negotiations to sign, an additional eleven dispensaries. Additionally, OpCo has purchased an 85,000 square foot facility for its first indoor cultivation and manufacturing center. Initial plans for this facility will include the ability to produce in excess of 10,000,000 grams of flower per year with first harvest, post retrofitting to a perpetual harvest facility, expected in Q4 2019, and will include state of the art extraction capabilities in the same facility.

OpCo has also purchased two smaller vertically integrated grow and manufacturing operations as part of its dispensary acquisitions. OpCo plans to complete transactions in 2019 for outdoor grow operations and are assessing additional opportunities for greenhouse cultivation. OpCo is making great strides in achieving its goals of controlling and operating a minimum of 20 dispensaries by end of Q2 2019 and three grow operations in Michigan by Q4 2019.

The transaction with MichiCann is steadily and strategically moving forward, staying true to the original overall strategy, which is to achieve critical mass within our target markets, while rapidly and aggressively expanding in the U.S. cannabis and CBD business. We want to assure our shareholders that we are continuing to closely monitor public market conditions, drawing on our own experience in capital market strategy and seeking the advice of many seasoned capital markets veterans to identify the appropriate time to close the MichiCann amalgamation transaction.

Significant Equity Events

During the period ended January 31, 2020, the Company issued 11,965,000 common shares pursuant to the exercise of 11,965,000 warrants for gross proceeds of \$598,250. Subsequent to the quarter ended January 31, 2020 to date, the Company have issued a further 70,858,999 shares pursuant to the exercise of share purchase warrants for gross proceeds of \$3,542,950. Subsequent to January 31,2020 an amount of 23,960,000 warrants, exercisable at \$0.05, expired unexercised.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019

Results of Operations

The following is a breakdown of the expenses incurred by the Company for the period ended January 31, 2020 and 2019:

	For the six-month period ended	
	January 31,	January 31,
	2020	2019
Expenses		
Advertising and promotion	\$ 81,682	\$ 2,347,800
Consulting fees	293,032	471,713
Depreciation	134,184	-
General and administration	15,206	251,745
Insurance	38,275	-
Interest expense	19,647	-
Professional fees	214,918	707,430
Rent	-	92,573
Salaries and benefits	1,191	562,201
Share-based compensation	141,154	1,147,610
Transfer agent and filing fees	83,431	66,598
Travel	3,626	118,563
	(1,026,346)	(5,766,233)
Other income (expense)		
Accretion	-	84,024
Dividends income	5,227	-
Interest income	192,307	107,795
Foreign exchange gain	289	171,086
Loss on sale of land	(103,574)	-
Rent income	144,007	-
Net loss	\$ (788,090)	\$ (5,403,328)
Other comprehensive loss		
Foreign subsidiary currency translation loss	17,745	(3,384)
Net loss and comprehensive loss for the period	(770,345)	(5,406,712)

Results of Operations - discussion

During the six-month period ended January 31, 2020, the Company recorded a loss of \$770,345 (2019 – \$5,406,712). Most categories of expenses showed decreases in 2020 compared with 2019. In the 2019 the expenses related to activities on due diligence work performed for financing deals and related activities. In the 2020 year, expenses reflected the Company's reorganization of management and redirection of its business.

Explanations of the nature of costs incurred, along with explanations for those significant changes in costs are discussed below:

- Investor relations and stock promotion consist of marketing costs to promote the Company. The increase is a result of the Company's officers increasing their presence at several key industries related conferences throughout the period. Furthermore, the Company created brand awareness in the Company's key target markets in North America that may lead to potential partnerships. The Company's advertising effort has led to several key letter of intents and definitive agreements. This is an important step to establishing the Company's foothold in the legal marijuana sector in the United States. The Company limited investor relations activity as the Company's stock has been halted for the period ended October 31, 2019 until the MichiCann transaction is completed.
- Professional fees decreased due to accounting and legal fees associated with preparing and reviewing the Company's 20-F filing. In the prior period, the Company incurred legal fees in connection with the closing of the Financing agreement with Diem Cannabis, review of various Letters of Intents and other potential partnerships.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- The current period recorded these non-cash share-based expenses of \$141,154 mainly because of the vesting of stock options issued in prior periods. During the period ended January 31, 2019, the Company granted stock options to various consultants. The Company used the Black Scholes Pricing Model and recorded share-based compensation of (2019 - \$1,147,610).
- During the period ended January 31, 2019, the Company closed its payroll. During the year ended July 31, 2019 the Company terminated the employment of Mr. Terry Taouss, President, and Ms. Stefania Zilinskas, General Counsel and Mr. Paul Rosen tendered his resignation as CEO, Chairman and director of the Company. Furthermore, the Company paid its CEO and President salaries for their services. In the second half of fiscal 2019, the Company entered into the LOI with MichiCann. The Company relies heavily on Consultants to help them achieve their goals in all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Advisors, Technical Support and other support roles.
- Travel decreased as a result of flights to various industry conferences and meetings in furtherance of financing opportunities.
- The Company recorded interest income of \$192,307 (2019 - \$107,795), pursuant to the promissory notes the Company entered into. The Company settled all of its promissory notes with TDMA in exchange for two coveted cultivation and processing licenses in Massachusetts.
- Foreign exchange gain relates to fluctuations in foreign exchange rate between the USD and Canadian dollar.
- Rent decreased as the Company started recording in accordance to IFRS 16 since the beginning of the year.
- Insurance of \$38,275 was recorded compared with \$Nil in the same period of the prior year.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for the eight most recently completed quarters.

	Jan. 31 2020	Oct. 31 2019	Jul. 31 2019	Apr. 30 2019
	\$	\$	\$	\$
Total revenues	-	-	-	-
Total assets	24,404,335	24,363,666	24,191,661	30,790,147
Long term liabilities	-	-	-	-
Net loss and comprehensive loss	(233,120)	(537,225)	(7,471,800)	(5,739,365)
Net loss per share – Basic and diluted	(0.00)	(0.00)	(0.02)	(0.02)

	Jan. 31 2019	Oct. 31 2018	Jul. 31 2018	Apr. 30 2018
	\$	\$	\$	\$
Total revenues	-	-	-	-
Total assets	31,041,861	31,895,184	34,566,033	5,699,709
Long term liabilities	-	-	-	-
Net loss and comprehensive loss	(1,547,604)	(3,853,748)	(6,807,138)	(742,747)
Net loss per share – Basic and diluted	(0.01)	(0.02)	(0.06)	(0.26)

The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of activities being undertaken for royalty financing opportunities at any time and the availability of funding. Q1 and Q2 2020 expenses reflected the Company's goal to minimize overhead while the transaction with Michicann closes. Q4 2019 expenditures increased from Q3 2019 and is primarily attributed to non-cash items such as the unrealized loss on the long-term investments of \$5,373,032 and share based compensation of \$853,976. Q4 2018 saw a large increase as the Company's operations ramped up and pursued several potential royalty agreements, incurring due diligence, accounting, consulting and legal expenses. The Company hired employees and pursued marketing programs and consultants to increase brand awareness and pursue new royalty opportunities.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Liquidity

At January 31, 2020, the Company had cash of \$154,627, compared to July 31, 2019 of \$2,961,514. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its business strategy & goals and service its obligations listed in the financial statements, the Company may need to raise additional capital. The Company's working capital is \$17,394,782 (2019 – \$17,733,045). The Company expects to finance operating costs by private placement of common shares, preferred shares, exercise of warrants, exercise of options and debt financing. During the period ended, the Company amended the MichiCann LOI and advanced USD \$2,000,000 and the Company exercised 11,965,000 warrants for gross proceeds of \$598,250. Subsequent to the quarter end the Company have issued a further 70,858,999 shares pursuant to the exercise of share purchase warrants for gross proceeds of \$3,542,950.

Management has assessed and concluded that the Company has the ability to continue as a going concern for the next twelve months. The ability to achieve our projected future operating results is based on a number of assumptions which involve significant judgments and estimates, which cannot be assured. If we are unable to achieve our projected operating results, our liquidity could be adversely impacted, and we may need to seek additional sources of financing. Our operating results could adversely affect our ability to raise additional capital to fund our operations and there is no assurance that debt or equity financing will be available in sufficient amount, on acceptable terms, or in a timely basis.

Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company entered into an office lease that expires on September 2, 2020. As at January 31, 2020 the Company is committed to the following estimated annual payments:

Year ending	\$
July 31, 2020	147,102
July 31, 2021	49,034
	196,136

Working Capital

As at January 31, 2020, the Company had working capital of \$17,394,782 (July 31, 2019 – \$17,733,045). In the long term, the Company will be seeking to raise further funds from equity financings and/or debt financing in order to continue operations, in particular to fund ongoing expenditure commitments as they arise.

As at	January 31, 2020 \$	July 31, 2019 \$
Total assets	24,404,335	24,191,661
Total liabilities	601,502	357,887
Working capital	17,394,782	17,733,045
Shareholders' Equity	23,802,833	23,833,774

Cash Used in Operating Activities

Net cash used in operating activities during the period ended January 31, 2020 was \$595,742 (2019 –\$4,289,279) Current period expenses reflected the Company's reorganization of management and redirection of its business.

TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Cash Used in Operating Activities (continued)

Prior period expenses mainly consisted of cash spent for the initiation of the business, general working capital, brand awareness campaigns, consulting and professional fees for royalty financing opportunities, and due diligence. Thus, the cash outflow from operations in the comparative period.

Cash Generated by Financing Activities

Total net cash generated during the period ended January 31, 2020 was \$501,055 (2019 - \$791,000). The Company generated \$598,250 pursuant to the exercise of warrants and \$147,195 was paid towards lease payments. In the comparative period for the prior year, the Company generated \$791,000 pursuant to the exercise of warrants.

Cash Used in Investing Activities

During the period ended January 31, 2020, and pursuant to the Financing Activities, the Company amended the MichiCann LOI and advanced \$2,712,200 (US \$2,000,000) (January 31, 2019 - \$434,933). The Company also received a short-term loan of \$50,000 for general and administrative expenses.

Further to the Company's agreements, the Company invested \$3,000,000 in Harborside in the same period during the prior year.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions at the date of this report that have not been disclosed.

Transactions with Related Parties

The Directors and Executive Officers of the Company as at the date of this report are as follows:

Brendon Purdy	Interim CEO and Director
Theo van der Linde	Chief Financial Officer and Director
Stuart Wooldridge	Director

Formal management and/or consulting contracts are currently being reviewed.

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company, and include all directors and officers. Key management compensation for the period ended January 31, 2020 and 2019 are comprised of the following:

	2020	2019
	\$	\$
Consulting fees paid or accrued to companies controlled by the CFO	215,290	42,000
Consulting fees paid or accrued to the former corporate secretary	-	2,000
Consulting fees paid to the former VP of corporate development	-	60,000
Consulting fees paid or accrued to the former VP Strategy	-	31,250
Consulting fees paid or accrued to directors	19,450	12,000
Salaries and benefits paid to the former president	-	87,500
Salaries and benefits paid to the former CEO	-	150,000
Share-based compensation	20,335	519,513
Total	255,075	904,263

During the six months ended January 31, 2020 the Company paid \$Nil in rent (January 31, 2019 - \$3,000) to related parties comprised of directors, officers and companies with common directors.

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Transactions with Related Parties (continued)

As at January 31, 2020, the amount due to related parties was \$17,566 (July 31, 2019 - \$21,347). The balance amounts are unsecured, non-interest bearing and due on demand. The

As at January 31, 2020, loan and interest payable to related party was \$50,164, with a total interest accrual of \$164. (July 31, 2019 - \$Nil). The loan is due on demand and bears interest at 8% per annum. The short-term loan and interest were paid shortly after the quarter end.

Outstanding Share Data

As at the date of this MD&A, the Company has the following outstanding shares:

Securities*	Number
Common shares	375,431,661
Share purchase warrants	18,987,365
Stock options	28,785,766
Preferred shares	50,900,000

Additional Disclosure for Venture Issuers without significant revenue

Additional disclosure concerning the Company's expenses is provided in the Company's statement of loss and note disclosures contained in its condensed interim consolidated financial statements for the period ended January 31, 2020. These statements are available on SEDAR - Site accessed through www.sedar.com.

Ability to Access Private and Public Capital and Nature of Securities

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its investments in the US legal cannabis industry. Although such investments carry a higher degree of risk, and despite the treatment of cannabis under U.S. federal laws, Canadian-based issuers involved in making U.S. cannabis-related investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the *Controlled Substances Act* of 1970 ("CSA"). Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws. The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for investment into the US legal cannabis industry. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

Management's Responsibility for Financial Statements

The information provided in this report, including the condensed interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. In contrast to the certificate required under National Instrument 52-109 - *Certificate of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting

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Additional Disclosure for Venture Issuers without significant revenue (Continued)

("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

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

Forward-looking-information

Statements included in this document that do not relate to present or historical conditions are "forward-looking statements". Forward-looking statements are projections in respect of future events or the Company's future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intend", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", or "continue", or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include statements with respect to: the closing of the proposed transaction with MichiCann, the nature and extent of the review and comment by the FINRA of Tidal Royalty's Form 20-F and historical filings, speed of the interactions between the applicable U.S. regulatory authorities, statements regarding estimated capital requirements and planned use of proceeds. These statements are only predictions and involve known and unknown risks and uncertainties, including the risks in the section entitled "Risk Factors", and other factors which may cause the Company's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity or performance. Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of such factors on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Additional information, including interim and annual financial statements, the management information circulars and other disclosure documents, may also be examined and/or obtained by accessing the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Risks Factors

The effects of Covid-19 may adversely impact the Company's financial performance

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

We have no source of operating revenue and it is likely we will operate at a loss until we are able to realize cash flow from our financings.

We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares.

Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of the investor's investment.

Additional Disclosure for Venture Issuers without significant revenue (continued)

The market price of our common shares may experience significant volatility.

Factors such as announcements of quarterly variations in operating results, revenues, costs, changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general, announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or performance or relating to the industry in general, announcements of acquisitions or consolidations involving our portfolio companies, competitors or among the industry in general, as well as market conditions in the cannabis industry, such as regulatory developments, may have a significant impact on the market price of our common shares. Global stock markets and the Canadian Securities Exchange ("CSE") in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will be sustained for our common shares.

We do not anticipate that any dividends will be paid on our common shares in the foreseeable future.

We anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may not be able to sell their shares on favourable terms or at all.

The Company has a limited operating history with respect to financings in the U.S. cannabis sector, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment in the Company.

The Company has a history of negative cash flow and losses that is not expected to change in the short term. Financings may not begin generating cash flow to the Company for several years following any financing.

Risks Factors (Continued)

The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company.

Currently, the U.S. cannabis industry generally is comprised of individuals and small to medium-sized entities. However, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the trend in connection with most state laws and regulations may deter this type of takeover, this industry

The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. (continued)

remains quite nascent, and therefore faces many unknown future developments, which in itself is a risk.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. The Company may not have sufficient resources to remain competitive, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company's vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

The Company's revenues and expenses may be negatively impacted by fluctuations in currency.

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks Factors (Continued)

Risks Related to the Cannabis Industry

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations. For background information on the inconsistency between state and federal regulation of cannabis, please refer to "Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations".

The funding of businesses in the cannabis industry may expose us to potential criminal liability.

While we do not intend to harvest, distribute or sell cannabis, the funding of businesses in the medical and adult-use cannabis industry could be deemed to be participating in marijuana cultivation, which remains illegal under federal law pursuant to the CSA and exposes us to potential criminal liability, with the additional risk that our properties, or those of our portfolio companies, could be subject to civil forfeiture proceedings. For background information on the

The funding of businesses in the cannabis industry may expose us to potential criminal liability. (continued)

inconsistency between state and federal regulation of cannabis, please refer to "Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations".

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Such risks are difficult to predict. For instance, it is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. The regulatory uncertainties make identifying the new risks applicable to the Company and its business and the assessment of the impact of those risks on the Company and its business extremely difficult.

Risks Factors (Continued)

Risks Related to the Cannabis Industry

The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Company and its portfolio companies and may affect the financial condition of market participants, including the Company.

Participants in the U.S. cannabis industry 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 restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 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 participant and, thereby, on the Company's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's financings in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Changes to or the imposition of new government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings and could make future financing uneconomic.

The Company and the companies it funds may become subject to litigation which could have a significant impact on the Company's profitability.

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Company, or one or more of the Company's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

As the possession and use of cannabis is illegal under the CSA, we may be deemed to be aiding and abetting illegal activities through the funding of our portfolio companies, and as such may be subject to enforcement actions which could materially and adversely affect our business.

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). Such an action would have a material adverse impact on our business and operations.

Risks Related to the Cannabis Industry (Continued)

Losing access to traditional banking and the application of anti-money laundering rules and regulations to our business could have a significant effect on our ability to conclude financings and achieve returns.

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. For background on these laws and various guidance issued by certain regulatory authorities concerning banking cannabis-related businesses, please refer to “*Item 4 — Information on the Company — B. Business Overview — Effects of Government Regulations*”.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company’s business. Furthermore, the Company’s U.S. subsidiaries may be unable to open bank accounts with U.S. financial institutions, which may also make it difficult to operate the Company’s business.

Proceeds from the Company’s financings could be considered proceeds of crime which may restrict the Company’s ability to pay dividends or effect other distributions to its shareholders.

The Company’s future financings, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

Risks Related to the Cannabis Industry (Continued)

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada, which could lead to the imposition of certain restrictions on the Company's ability to invest in the U.S.

It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Company's Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the Exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future.

For the reasons set forth above, the Company's future financings in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines which could increase compliance costs substantially or require the alteration of business plans.

The Company's business operations will indirectly be affected by laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

Risks Related to the Cannabis Industry (Continued)

As consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis evolve, the Company may face unfavourable publicity or consumer perception.

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed royalty business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

Cannabis use may increase the risk of serious adverse side effects which could subject the Company or its portfolio companies to product liability claims, regulatory action and litigation.

As a company that finances businesses in the cannabis industry, we face the risk of exposure to, or having our portfolio companies exposed to, product liability claims, regulatory action and litigation if the products or services of our portfolio companies are alleged to have caused loss or injury. Our portfolio companies may become subject to product liability claims due to allegations that their products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, may exacerbate the symptoms for individuals with bipolar disorder, may increase the risk for the development of depressive disorders, may impair learning, memory and attention capabilities, and result in other side effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. There can be no assurance that our portfolio companies will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in our portfolio companies becoming subject to significant liabilities that are uninsured and also could adversely affect their commercial arrangements with third parties. Such a product liability claims or regulatory action against an operator

Cannabis use may increase the risk of serious adverse side effects which could subject the Company or its portfolio companies to product liability claims, regulatory action and litigation. (continued)

could result in increased costs, could adversely affect the Company's financing and reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Risks Factors (Continued)

Risks Related to the Cannabis Industry (Continued)

If our portfolio companies do not comply with applicable packaging, labeling and advertising restrictions on the sale of cannabis in the adult-use market, we could face increased costs, our reputation could be negatively affected and there could be a material adverse effect on our results of operations and financial condition.

Products distributed by our portfolio companies into the adult-use market may be required to comply with legislative requirements relating to product formats, product packaging, and marketing activities around such products, among others. As such, the portfolio of brands and products of our portfolio companies will need to be specifically adapted, and their marketing activities carefully structured, to enable them to develop their brands in an effective and compliant manner. If our portfolio companies are unable to effectively market their cannabis products and compete for market share, or if the costs relating to compliance with government legislation increase beyond what can be absorbed in the price of products, our earnings could be adversely affected which could make future financing uneconomic.

The products of our portfolio companies may become subject to product recalls, which could negatively impact our results of operations.

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 products of our portfolio companies are recalled due to an alleged product defect or for any other reason, such recall may disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations. In addition, a product recall involving one or multiple of our portfolio companies may require significant attention by our senior management. If the products of one of our portfolio companies were subject to recall, the image of that brand and the Company as an investor could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the products of our portfolio companies 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 our operations by the U.S. FDA, Health Canada or other regulatory agencies, requiring further senior management attention and potential legal fees and other expenses.

Risks Related to Royalties

The Company may expend valuable time and effort in performing due diligence on companies and their existing royalties which may not be able to be acquired by the Company owing to existing third-party rights.

Rights of third parties may restrict the Company's ability to acquire existing royalties. Royalty interests may be subject to: (i) buy-down right provisions pursuant to which the operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the royalty; or (iii) claw back rights pursuant to which the seller of a royalty has the right to re-acquire the royalty. As a result, (a) royalties held by the Company may not continue for the full term of the original contract, and (b) should the Company seek to acquire existing royalties in the future, holders of such rights may exercise them such that certain existing royalty interests would not be available for acquisition.

The determination of costs is made by the operator and is beyond the control of the Company but may negatively influence the royalty return received by the Company.

Should the Company hold a net profit royalty, it would have the added risk that such royalties allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures may include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder and can have a dramatic effect on the amount payable on these royalties. Any increase in the costs incurred by the operators will likely result in a decline in the royalty received by the royalty holder. This, in turn, may have a material adverse effect on its profitability, financial condition, and results of operation.

Risks Related to Royalties (Continued)

The Company does not control the business operations over which the royalty is determined and the interests of owners/operators and the Company may not always be aligned, which could negatively influence the royalty return received by the Company.

Cash flows derived from royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which their business is operated or the relevant assets subject to the royalties are exploited, including decisions to expand, continue or reduce production, decisions about the marketing of products extracted from the asset and decisions to advance expansion efforts and further develop non-producing assets. As a holder of royalties or other interests, the Company will have little or no input on such matters. The interests of third-party owners and operators and those of the Company on the relevant assets may not always be aligned.

The Company has limited access to data and disclosure which may make the assessment of the value of the Company's current or future financings difficult to determine and which could result in the royalties being less profitable than expected.

As a holder of royalties and other non-operator interests, the Company neither serves as the owner or operator, and in almost all cases the Company has limited input into how the operations are conducted. As such, the Company has varying access to data on the operations or to the actual assets themselves. This could affect its ability to assess the value of the royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by the Company based on the stage of development of the applicable business or assets. The Company's royalty payments may be calculated by the operator in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to such royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and as such the Company may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the businesses in which the Company has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Royalties are largely contractually-based and may not always be honoured by the counterparties to the Company's royalty contracts, which may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

General Business Risks

There can be no assurance that future financings made by the Company will be profitable.

As part of the Company's overall business strategy, the Company intends to pursue its financing policy and objectives. There are always risks associated with any business transaction, particularly one that involves a largely cash based operation, operating in a new and growing field, with conflicting federal and state laws. There is no assurance any financings will be profitable.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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.

General Business Risks (Continued)

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management.

While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such people. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

Litigation, complaints, and enforcement actions the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, 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 an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. 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 an operator, and consequently, the Company.

The success of the Company may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

General Business Risks (Continued)

Insurance coverage obtained by an operator may be insufficient to cover all claims to which the operator may become subject.

The Company will require an operator to have insurance coverage for applicable risks. However, there can be no assurance that such coverage will be available or sufficient to cover claims to which the operator may become subject. Each operator may be affected by a number of operational risks and may not be adequately insured for certain risks, including: civil litigation; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, an operator's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the operator's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, an operator may be subject to or affected by liability or sustain loss for certain risks and hazards against which it may elect not to insure because of the cost. If insurance coverage is unavailable or insufficient to cover any such claims, an operator's financial resources, results of operations and prospects, as well as the Company's financing, could be adversely affected.

Maintaining a public listing is costly and will add to the Company's legal and financial compliance costs.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

The Company may experience difficulty implementing its business strategy.

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of interest involving the Company's directors and officers may arise and may be resolved in a manner that is unfavourable to the Company.

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

**TIDAL ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX-MONTH PERIOD ENDED JANUARY 31, 2020 AND 2019**

General Business Risks (Continued)

The available talent pool may not be large enough for the Company to identify and hire personnel required to develop the business, which may mean that the growth of the Company's business will suffer.

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of financings and cannabis may be difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

If the requirements of the Investment Company Act of 1940 (the "1940 Act") were imposed on the Company, such requirements would adversely affect our operations.

The Company intends to conduct its operations so that it is not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act.

The Company is organized as a holding company that conducts business primarily through wholly-owned or majority-owned subsidiaries. The Company intends to conduct operations so that it complies with the 40% test. The Company will monitor our holdings to comply with this test. Failure to comply with the 40% test could require the Company to register as an investment company under the 1940 Act, which would have a material adverse effect on our operations.

There could be adverse tax consequence for our shareholders in the United States if we are deemed a passive foreign investment company.

Under United States federal income tax laws, if a company is (or for any past period was) a passive foreign investment company (which we refer to as "PFIC"), it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change. Furthermore, the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. The Company believes based on current business plans and financial expectations that it may be a PFIC for the current tax year and future tax years. United States purchasers of our common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC.

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences such as the ineligibility for any preferred tax rates on capital gains, the ineligibility for actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund (or QEF) election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership, and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.

APPENDIX E

Audited Financial Statements of MichiCann

For the periods ended December 31, 2018 and 2017

MichiCann Medical Inc.

Financial Statements

For the Year Ended December 31, 2018 and the period from
December 5, 2017 (incorporation) to December 31, 2017
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MICHICANN MEDICAL INC.

Opinion

We have audited the financial statements of MichiCann Medical Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2018 and for the 26-day period ended December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for year ended December 31, 2018 and for the 26-day period ended December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 22, 2019

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MichiCann Medical Inc.
 Statements of Financial Position
 (Expressed in Canadian dollars)

	December 31, 2018 \$	December 31, 2017 \$
Assets		
Current assets		
Cash	24,377,286	326,721
Prepaid expenses	50,000	297,917
Loans receivable (Note 3)	5,700,400	-
Amounts receivable (Notes 3 and 4)	4,810,000	-
Total assets	34,937,686	624,638
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	161,937	27,442
Convertible debentures (Note 8)	-	533,755
	161,937	561,197
Non-current liabilities		
Deferred income tax liability (Note 9)	-	25,176
Total liabilities	161,937	586,373
Shareholders' equity		
Share capital (Note 4)	35,111,680	1
Convertible debentures – equity component (Note 8)	-	70,950
Reserves (Note 4)	1,952,794	-
Subscriptions receivable (Note 4)	(125,000)	-
Deficit	(2,163,725)	(32,686)
Total shareholders' equity	34,775,749	38,265
Total liabilities and shareholders' equity	34,937,686	624,638

Approved and authorized for issuance on behalf of the Board of Directors on May 22, 2019 by:

/s/Michael Marchese

Michael Marchese, Director

(The accompanying notes are an integral part of these financial statements)

MichiCann Medical Inc.Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2018	December 5, 2017 (Incorporation) - December 31, 2017
Expenses		
Consulting fees (Note 6)	\$ 325,000	\$ 27,083
Professional fees	53,522	2,442
Office expenses	7,865	280
Travel	32,921	-
Foreign exchange gain	(25,465)	-
Accretion expense (Note 8)	139,938	2,881
Share-based compensation (Note 4)	1,637,559	-
Loss before income tax	(2,171,340)	(32,686)
Deferred income tax recovery	40,301	-
Net loss and comprehensive loss for the period	\$ (2,131,039)	\$ (32,686)
Net loss per share, basic and diluted	\$ (0.06)	\$ (32,686)
Weighted average shares outstanding	38,474,379	1

(The accompanying notes are an integral part of these financial statements)

MichiCann Medical Inc.

 Statements of Changes in Equity
 (Expressed in Canadian dollars)

	Share capital		Subscriptions receivable \$	Reserves \$	Convertible debentures – equity component \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$					
Balance, December 5, 2017 (incorporation)	1	1	-	-	-	-	1
Equity component of convertible debentures	-	-	-	-	96,126	-	96,126
Deferred income tax on equity component of convertible debentures	-	-	-	-	(25,176)	-	(25,176)
Net loss for the period	-	-	-	-	-	(32,686)	(32,686)
Balance, December 31, 2017	1	1	-	-	70,950	(32,686)	38,265
Equity component of convertible debentures	-	-	-	-	56,017	-	56,017
Deferred income tax on equity component of convertible debentures	-	-	-	-	(15,125)	-	(15,125)
Convertible debentures exercised	2,024,000	1,114,518	-	-	(111,842)	-	1,002,676
Shares issued, net	72,198,181	34,312,396	(125,000)	-	-	-	34,187,396
Finders' warrants issued	-	(315,235)	-	315,235	-	-	-
Share-based compensation	-	-	-	1,637,559	-	-	1,637,559
Net loss for the year	-	-	-	-	-	(2,131,039)	(2,131,039)
Balance, December 31, 2018	74,222,182	35,111,680	(125,000)	1,952,794	-	(2,163,725)	34,775,749

(The accompanying notes are an integral part of these financial statements)

MichiCann Medical Inc.
 Statements of Cash Flows
 (Expressed in Canadian dollars)

	Year ended December 31, 2018 \$	December 5, 2017 (Incorporation) - December 31, 2017 \$
Operating activities		
Net loss for the year	(2,131,039)	(32,686)
Items not affecting cash:		
Accretion expense	139,938	2,881
Share based compensation	1,637,559	-
Unrealized foreign exchange	(25,465)	-
Deferred income tax recovery	(40,301)	-
Changes in non-cash operating working capital:		
Prepaid expenses	247,917	(297,917)
Accounts payable and accrued liabilities	134,495	27,442
Net cash used in operating activities	(36,896)	(300,280)
Investing activity		
Loans receivable	(5,700,400)	-
Net cash used in investing activity	(5,700,400)	-
Financing activities		
Issuance of share capital, net	29,377,396	1
Convertible debentures issued	385,000	627,000
Net cash provided by financing activities	29,762,396	627,001
Effect of exchange rate changes on the balance of cash held in foreign currencies	25,465	-
Increase in cash	24,050,565	326,721
Cash, beginning of period	326,721	-
Cash, end of period	24,377,286	326,721

Supplemental disclosure of cash flow information (Note 10)

(The accompanying notes are an integral part of these financial statements)

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

1. Nature of Business and Continuance of Operations

MichiCann Medical Inc. (the “Company” or “MichiCann”) was a private cannabis investment company incorporated under the laws of Ontario on December 5, 2017. The Company’s head office and registered office is located at 8820 Jane Street, Concord, ON, L4K 2M9 Canada.

As at December 31, 2018, the Company had not yet generated any revenue, has working capital of \$34,775,749 (2017 - \$63,441) and has accumulated losses of \$2,163,725 since inception. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company estimates that it will have sufficient capital to continue operations for the upcoming year.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis except for financial assets classified as fair value through profit or loss, which are measured at fair value. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

These financial statements were authorized for issue by the Board of Directors on May 22, 2019.

(b) Use of Estimates and Judgments

The preparation of the 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, revenues and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimated uncertainty that management has made as at the balance sheet dates that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies - continued

(b) Use of Estimates and Judgments - continued

Share-based Compensation

The inputs used for share-based compensation calculation. The Company provides compensation benefits to its consultants, directors and officers through a stock option plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes Option Pricing Model which utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

Convertible Debentures

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

Deferred Income Taxes

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

(c) Financial Instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies - continued

(c) Financial Instruments - continued

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

For financial assets that are not measured at amortized cost, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FTVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this new FTVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FTVOCI.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

As at December 31, 2018, the Company's financial instruments are comprised of cash, accounts receivable, convertible debt, accounts payable and accrued liabilities.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies - continued

(c) Financial Instruments - continued

Compound Financial Instruments

Compound financial instruments issued by the Company comprise convertible debt in Canadian dollars that can be converted to common shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have a conversion option. The conversion component is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and conversion components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the discounted cash flows. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(d) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(e) Share Capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

Incremental costs directly attributed to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds received on issue. Shares issued for non-monetary consideration are valued based on the fair value of the goods or services received unless the fair value of the shares are a more reliable measure.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies - continued

(f) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(g) Earnings (Loss) Per Share

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants would be anti-dilutive.

(h) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies – continued

(h) Share-based Payments - continued

All equity-settled share-based payments are reflected in contributed surplus, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

(i) Adoption of Accounting Standard

On January 1, 2018, the Company adopted the following accounting pronouncements retrospectively with no restatement of comparative periods:

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 with a date of initial application as of January 1, 2018. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes International Accounting Standard (“IAS”) 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company’s financial statements.

Recent Accounting Pronouncements

Standards and interpretations issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective and does not expect the standards to have a material impact on the financial statements.

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies – continued

IFRS 16 Leases - continued

These standards are applicable to the Company's annual period beginning January 1, 2019. The Company does not expect there to be a material impact on adoption.

3. Loans Receivable and Amounts Receivable

During the year ended December 31, 2018, the Company advanced a series of funds, totalling \$5,700,400, to PharmaCo Inc. ("PharmaCo"), an arms-length party, in the form of a debenture. The debenture is non-interest bearing, unsecured and is due on demand.

During the year ended December 31, 2018, the Company issued 4,810,000 common shares valued at \$1.00 per common share for a total value of \$4,810,000 to a third-party company, as consideration to settle amounts owed by PharmaCo to the third-party company. The amounts receivable due from PharmaCo of \$4,810,000 is non-interest bearing, unsecured and have no fixed terms of repayment.

4. Share Capital

Authorized:

Unlimited number of common shares without par value.

Issued:

On January 2, 2018, the Company issued 37,309,999 founder common shares for gross proceeds of \$37.

On November 21, 2018, the Company issued an aggregate of \$1,012,000 principal amount of unsecured convertible debentures (the "Unsecured Debentures") convertible into one common share of the Company at a price of \$0.50 per common share. All Unsecured Debentures were converted into an aggregate of 2,024,000 common shares of the Company on November 21, 2018 (Note 8).

On December 19, 2018, the Company issued 30,078,182 common shares pursuant to a non-brokered financing (first tranche) at a price of \$1.00 for aggregate gross proceeds of \$30,078,182. The Company paid share issuance costs of \$470,340 as finder fees. Subsequent to the year ended December 31, 2018, \$125,000 in subscriptions receivable was received.

On December 19, 2018, the Company completed the issuance of 4,810,000 common shares to settle certain debts at a price of \$1.00 per common share for a total of \$4,810,000. The shares were issued to settle amounts owned by PharmaCo to a third-party company (Note 3).

During the period ended December 31, 2017, the Company issued 1 incorporation share for a nominal value.

Warrants:

During the year ended December 31, 2018, the Company issued 595,340 finders' warrants with an exercise price of \$1.00 per common share of the Company for a period of two years. The finders' warrants have a fair value of \$315,235 estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	1.89%
Expected term (in years)	2
Estimated dividend yield	0%
Estimated volatility	100.00%

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

4. Share Capital - continued

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2017	-	\$ -
Issued	595,430	1.00
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	595,430	\$ 1.00

The following warrants were outstanding at December 31, 2018:

Issue Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
December 19, 2018	December 19, 2020	\$ 1.00	595,340	595,340
			595,340	595,340

Options:

On October 1, 2018, the Company granted 2,000,000 stock options to a consultant and an officer of the Company. These stock options vest 12.5% on January 1, 2019, 12.5% on April 1, 2019, 12.5% on July 1, 2019, 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020 and the remaining 12.5% on October 1, 2020. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

On October 1, 2018, the Company granted 2,500,000 stock options to consultants of the Company. These stock options vest 25% on January 1, 2019, 25% on April 1, 2019, 25% on July 1, 2019, 25% on October 1, 2019. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

The options granted during the year ended December 31, 2018 have a fair value of \$3,739,048 estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	2.42%
Expected term (in years)	5
Estimated dividend yield	0%
Estimated volatility	100.00%

During the year ended December 31, 2018, the Company recognized \$1,637,559 in stock-based compensation under graded vesting.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

4. Share Capital - continued

Options transactions and the number of options outstanding are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2017	-	\$ -
Granted	4,500,000	0.50
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	4,500,000	\$ 0.50

The following options were outstanding at December 31, 2018:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
October 1, 2018	October 1, 2023	\$ 0.50	4,500,000	-
			4,500,000	-

5. Financial Instruments and Risks

(a) Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as of December 31, 2018 and 2017 as follows:

	Fair Value Measurements Using			Balance as at December 31 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
December 31, 2018				
Cash	24,377,286	-	-	24,377,286
Loans receivable	5,700,400	-	-	5,700,400
Amounts receivable	4,810,000	-	-	4,810,000
Total	34,887,686	-	-	34,887,686
December 31, 2017				
Accounts payable and accrued liabilities	161,937	-	-	161,937
Total	161,937	-	-	161,937
December 31, 2017				
Cash	326,721	-	-	326,721
Total	326,721	-	-	326,721
December 31, 2017				
Accounts payable and accrued liabilities	27,422	-	-	27,422
Total	27,422	-	-	27,422

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

5. Financial Instruments and Risks - continued

(a) Fair Value - *continued*

The fair values of other financial instruments, which include accounts payable and accrued liabilities, loans receivable and amounts receivable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, loans receivable and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company is exposed to significant credit risk on its loans receivable and amounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company holds cash in US dollars, as a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's operating results due to the translation of monetary assets.

At December 31, 2018, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately \$125,000 (December 31, 2017 - \$nil).

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

6. Related Party Transactions

The following is a summary of related party transactions that occurred during the year ended December 31, 2018:

- (a) Included in accounts payable and accrued liabilities is \$6,250 (2017 - \$nil) payable to a director of the Company. Amounts due to related parties have no stated terms of interest and/or repayment.
- (b) Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	December 31, 2018 \$	December 31, 2017 \$
Consulting fees paid or accrued to a company controlled by the director of the Company	75,000	6,250
Share-based compensation	280,829	-

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the year ended December 31, 2018 and period from incorporation on December 5, 2017 to December 31, 2017.

7. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity, comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains the same for the years presented.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

8. Convertible Debentures

During the year ended December 31, 2018, the Company issued \$385,000 in convertible debentures to a group of arms-length lenders. The convertible debentures are non-interest bearing and are convertible into common shares of the Company at a conversion price of \$0.50 per common share.

On inception, the Company allocated the total proceeds received between the liability and equity components of the convertible debenture using the residual method, based on a discount rate of 18%, which is the estimated cost at which the Company could borrow similar debt without a conversion feature. The liability component with a fair value of \$328,983 on inception is measured at amortized cost and is accrued over the expected term to maturity using the effective interest method. The equity component with a fair value of \$56,017 on inception is presented as a component of shareholders' equity.

During the period ended December 31, 2017, the Company issued \$627,000 in convertible debentures to a group of arms-length lenders. The convertible debentures are non-interest bearing and are convertible into common shares of the Company at a conversion price of \$0.50 per common share.

On inception, the Company allocated the total proceeds received between the liability and equity components of the convertible debenture using the residual method, based on a discount rate of 18%, which is the estimated cost at which the Company could borrow similar debt without a conversion feature. The liability component with a fair value of \$530,874 on inception is measured at amortized cost and is accrued over the expected term to maturity using the effective interest method. The equity component with a fair value of \$96,126 on inception is presented as a component of shareholders' equity.

During the year ended December 31, 2018, the total convertible debentures outstanding of \$1,012,000 was converted into common shares of the Company.

A continuity of the liability portion of the convertible debentures is as follows:

Balance, December 5, 2017	\$	-
Issuance of convertible debentures		530,874
Accretion expense		2,881
Balance, December 31, 2017		533,755
Issuance of convertible debentures		328,983
Accretion expense		139,938
Settlement of convertible debentures		(1,002,676)
Balance, December 31, 2018	\$	-

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

9. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2018	2017
Loss before income taxes	\$ (2,171,340)	\$ (32,686)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	(586,262)	(8,825)
Non-deductible recoveries and other	442,626	-
Changes in unrecognized deductible temporary differences	85,901	778
Convertible debentures and others	(40,301)	-
Unused tax losses and tax offsets not recognized	57,735	8,047
Total income tax recovery	\$ (40,301)	\$ -

The significant components of deferred income tax assets and liabilities are as follows:

	2018	2017
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	-	-
Deferred income tax liabilities	-	(25,176)
Net deferred income tax asset (liabilities)	-	(25,176)

As at December 31, 2018, the Company has non-capital losses carried forward of approximately \$422,000 which are available to offset future years' taxable income and expires through to 2038.

	\$
2037	(30,000)
2038	(392,000)
	(422,000)

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

10. Supplemental Disclosure of Cash Flow Information

	2018	2017
Additional Information		
Shares issued for convertible debenture on conversion	\$ 4,810,000	\$ -
Finder's warrants issued	\$ 315,235	\$ -

11. Segmented Information

The Company currently has an investment in one company in the cannabis industry and operates in one geographic location, being Canada.

12. Subsequent Events

On January 15, 2019, the Company granted a total of 1,100,000 stock options to a consultant of the Company. 500,000 of these stock options vest on April 1, 2019. These stock options have an exercise price of \$1.00 per share and expire on January 15, 2024. The remaining 600,000 of these stock options vest on October 1, 2019. These stock options have an exercise price of \$2.50 per share and expire on January 15, 2024.

On April 29, 2019, the Company granted 500,000 stock options to a consultant of the Company. These stock options vest 25% on execution of the agreement, 25% on May 30, 2019, 25% on August 30, 2019 and the remaining 25% on December 30, 2019. These stock options have an exercise price of \$1.00 per share and expire on April 29, 2024.

On May 13, 2019, the Company entered into a non-binding letter of intent with an arm's length company to acquire greenhouse facilities and equipment in Illinois, United States.

PharmaCo Agreements

On January 4, 2019, MichiCann entered into a put/call option agreement (the "Put/Call Option Agreement") with PharmaCo and its shareholders ("PharmaCo Shareholders") pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo Shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann Shares in the aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation ("BMMR") within the Department of Licensing and Regulatory Affairs ("LARA") in the State of Michigan.

On January 4, 2019, MichiCann entered into a debenture purchase agreement (the "Debenture Purchase Agreement") with PharmaCo ("OpCo") pursuant to which MichiCann agreed to purchase an up to US \$114,734,209 8% senior secured convertible debenture of PharmaCo (the "Opco Debenture"). The Opco Debenture has a maturity date of January 4, 2023 unless the Opco Debenture becomes due earlier.

The principal amount of Opco Debenture outstanding is convertible at any time on the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the holder received LARA's written approval of the Holder Application (application seeking permission to convert the Debenture and own the Conversion Shares). In such circumstances, the principal amount of the Opco Debenture is convertible into common shares of Opco at a conversion price equal to the then outstanding balance of the Opco Debenture divided by the total number of Opco Shares then outstanding.

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

12. Subsequent Events - *continued*

PharmaCo Agreements - continued

Notwithstanding the foregoing, the conversion of the Opco Debenture is subject to PharmaCo and MichiCann having obtained all required permits from governmental authorities in connection with MichiCann's ownership of Opco Shares, including, without limitation, all required cannabis licenses or related permits issued by LARA (but excluding any permit or other requirement which arises or may arise under any Excluded Law).

The Opco Debenture is secured against the assets of PharmaCo pursuant to a security agreement dated as January 4, 2019.

On January 4, 2019, MichiCann advanced USD \$21,320,758 as a first tranche under the Opco Debenture, (which, included \$5,700,400 in loans receivable by MichiCann pursuant to non-interest-bearing promissory notes) (Note 3).

On February 22, 2019, MichiCann advanced USD \$6,046,863 as a second tranche under the Opco Debenture.

On March 1, 2019, MichiCann advanced USD \$11,327,594 as a third tranche under the Opco Debenture.

Financings

On February 22, 2019, MichiCann issued 4,500,000 common shares pursuant to a non-brokered financing (second tranche) at a price of \$1.00 per MichiCann Share for aggregate proceeds of \$4,500,000.

On February 22, 2019, MichiCann issued 2,240,000 common shares pursuant to a new non-brokered financing at a price of \$2.50 per common share for aggregate proceeds of \$5,600,000.

On February 25, 2019, MichiCann issued \$15,000,000 principal amount of senior secured convertible debenture (the "Tidal Debenture") to Tidal. The Tidal Debenture becomes due and payable (the "Tidal Debenture Maturity Date") on the earlier of: (i) August 25, 2019 (subject to extension) and (ii) the date that all amounts owing under the Tidal Debenture become due and payable in accordance with the terms of the Tidal Debenture, including following an event of default.

The Tidal Debenture is convertible into MichiCann Shares in the event that the Proposed Transaction is not completed prior to the Tidal Debenture Maturity Date and MichiCann instead completes a "Change of Control" or a "Go Public Transaction" as such terms are defined in the Tidal Debenture. In such circumstances, the holder has the right to convert the Tidal Debenture at a price per MichiCann Share equal to the lesser of (i) \$2.50 per MichiCann Share; and (ii) a 20% discount to the issue price or effective price per MichiCann Share for any financing completed as part of or concurrently with the Go Public Transaction, if applicable, or the effective purchase price per MichiCann Share in the case of a Change of Control transaction. The Tidal Debenture is secured against the assets of MichiCann pursuant to a general security and pledge agreement dated February 25, 2019 (the "GSA and Pledge Agreement").

Michicann Medical Inc.

Notes to the financial statements

December 31, 2018 and 26-Day Period Ended December 31, 2017

(Expressed in Canadian dollars)

12. Subsequent Events - *continued*

Tidal Royalty Corp. Definitive Agreement

On May 8, 2019, the Company has executed a business combination agreement (the “Definitive Agreement”) with Tidal Royalty Corp. pursuant to which Tidal will acquire all of the issued and outstanding shares of the Company (the “Proposed Transaction”). Under the terms of the Definitive Agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of Tidal, for each one (1) MichiCann common share, subject to adjustment in certain circumstances as set out in the Definitive Agreement (the “Exchange Ratio”). Upon completion of the Proposed Transaction, and assuming no other issuances of securities by MichiCann, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company (the “Resulting Issuer”), respectively, on a fully diluted basis. All outstanding options and warrants to purchase MichiCann common shares will be replaced with options and warrants to purchase common shares of the Resulting Issuer in accordance with the Exchange Ratio.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Tidal (“Subco”) will amalgamate with the Company (the “Amalgamation”). The Proposed Transaction will constitute a “Fundamental Change” of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the “CSE”) and as a result Tidal will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent. The Amalgamation will also require the approval by 66 2/3 of the votes cast by shareholders of MichiCann at a special meeting of shareholders to be held on or before May 24, 2019.

Immediately prior to the completion of the Amalgamation, Tidal will (i) complete a share consolidation on an 8:1 basis (the “Consolidation”), (ii) the Company will change its name to “Red White & Bloom Inc.” or such other name.

Pursuant to the terms of the Definitive Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the common share of the Resulting Issuer, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (vi) other closing conditions customary for transactions of this nature.

APPENDIX F

Management Discussion & Analysis of MichiCann

For the year ended December 31, 2018

Michicann Medical Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2018 and for the period from December 5, 2017 (incorporation) to
December 31, 2017

(Expressed in Canadian dollars)

The following management discussion and analysis ("MD&A") should be read in conjunction with the audited financial statements and accompanying notes ("Financial Statements") of Michicann Medical Inc. (the "Company") for the year ended 31 December 2018. Results have

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts are reported in Canadian dollars unless otherwise indicated.

For further information on the Company reference should be made to the Company's public filings which are available on SEDAR.

This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

Introduction

The following discussion of performance and financial condition should be read in conjunction with the financial statements of Michicann Medical Inc (the "Company") for the year ended 31 December 2018. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's reporting currency is Canadian dollars unless otherwise stated. This Management's Discussion and Analysis ("MD&A") is dated XX May 2019.

Description of Business

Michicann Medical Inc. (the "Company" or "Michicann") was a private cannabis investment company incorporated under the laws of Ontario on December 5th, 2017. The Company's head office is located at 8820 Jane Street, Concord, ON, L4K 2M9 Canada.

As at December 31, 2018, the Company had not yet generated any revenue, has working capital of \$34,750,284 (2017 – \$38,265) and has accumulated losses of \$2,189,190 (2017 - \$32,686) since inception. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors indicate the existence of a material uncertainty that may cast significant doubt the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Project Overview

MichiCann, operating as Red White & Bloom, is an investment company with a focus on the US cannabis industry. MichiCann's current investments are the PharmaCo Debenture and its rights under the PharmaCo Put/Call Option Agreement.

MichiCann holds an 8% senior secured convertible debenture (the "Debenture") and a put/call option (the "Put/Call Option") to acquire all the issued and outstanding shares of its Michigan based investee ("PharmaCo"), a private company incorporated under the laws of the State of Michigan.

PharmaCo has been granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan and has been awarded multiple municipal approvals for grower permits (cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries).

Current approvals allow for stacking of Michigan "C Licenses" providing the PharmaCo with a unique opportunity to establish itself as one of the largest licensed producer of cannabis in Michigan state.

PharmaCo has been State pre-qualified for two Processing licenses with a third pending in three distinct and strategic locations. PharmaCo has completed State and City approvals for large scale processing operations. This will allow the company to produce various oils, edibles and other cannabis derivatives. The company intends on constructing multiple extraction and processing facilities for the production of cannabis derivative products in each state that it operates in.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

Project Overview (Continued)

PharmaCo has purchased an 85,000 square foot facility for its first indoor cultivation and manufacturing center. Initial plans for this facility will include the ability to produce in excess of 10,000,000 grams of flower per year with first harvest, post retrofitting to a perpetual harvest facility, expected in Q4 2019, and will include state of the art extraction capabilities in the same facility. PharmaCo has also purchased two smaller vertically integrated grow and manufacturing operations as part of its dispensary acquisitions.

PharmaCo, has been pre-qualified for three provisioning center licenses and has acquired and/or executed agreements to acquire a further 18 locations. MichiCann plans to expand into additional states with a focus on Florida (which allows for 30 dispensaries per license), Arizona, Pennsylvania, Nevada and Ohio.

With 10 existing stores and a minimum of 25 locations operating by Q4 of 2019, RWB has established itself as the largest operator of dispensaries in Michigan

Plans are underway to roll out unified corporate branding to allow for even greater efficiency and scaling outside Michigan.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION

Selected Annual Information

The following selected financial information is derived from the audited consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

	Years Ended 31 December (audited)	
	2018	2017
Total revenues	\$ -	\$ -
General and administrative expenses	2,196,805	32,686
Net income (loss)	(2,196,805)	(32,686)
Net income (loss) per share – Basic & fully diluted	(0.56)	(32,686)
Totals assets	34,912,221	624,638
Total liabilities	161,937	586,373
Cash dividends declared per share	Nil	Nil

RESULTS OF OPERATIONS

For the year ended 31 December 2018 compared to the same period in 2017.

Comprehensive loss for the year ended 31 December 2018 was \$2,196,805 as compared to \$32,686 Comprehensive loss for the same period in 2017. The increase in comprehensive loss of \$2,164,119 was mainly attributable to the net effect of:

- Increase of \$297, 917 in Consulting fees, from \$27,083 in 2017 to \$325,000 in 2018.
- Increase of \$51,080 in Professional fees, from \$2,442 in 2017 to \$53,522 in 2018.
- Increase of \$7,585 in Office expenses, from \$280 in 2017 to \$7,865 in 2018.
- Increase of \$32,921 in Travel, from \$Nil in 2017 to \$32,921 in 2018.
- Increase of \$137,057 in Accretion expenses, from \$2,881 in 2017 to \$139,938 in 2018.
- Increase of \$1,637,559 in Share-based compensation, from \$Nil in 2017 to \$1,637,559 in 2018.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results

For the year ended 31 December 2018

Selected Financial Information

To date, the Company has not commenced commercial operations.

Liquidity and Capital Resources

As at 31 December 2018, the Company had working capital of \$34,750,284 (2017- \$38,265).

As at 31 December 2018, the Shareholders' equity of \$34,750,284 (2017 - \$38,265) consisted of share capital of \$32,561,094 (2017 - \$70,951), and deficit of \$2,189,190 (2017 - \$32,686).

Outstanding Share Data

- a) Authorized Share Capital: unlimited common shares without par value.
- b) Issued and Outstanding as at 31 December 2018 - 74,222,182 common shares (2017: 1).

Common shares

On February 1, 2018, the Company issued 37,310,000 founder common shares for gross proceeds of \$37.

On April 3, 2018, MichiCann issued an aggregate of \$1,012,000 principal amount of unsecured convertible debentures (the "Unsecured Debentures") convertible into MichiCann common shares at a price of \$0.50 per MichiCann shares. All Unsecured Debentures converted into an aggregate of 2,024,000 MichiCann common shares on November 21, 2018 (note 8).

On November 21, 2018, the Company completed the issuance of 4,810,00 common shares to settle certain debt from PharmaCo at a deemed price of \$4,810,000. As at December 31, 2018, the amount is due to the Company by PharmaCo and is non-interest bearing, due on demand and has no fixed date of repayment.

On December 18, 2018, MichiCann issued 30,078,182 common shares pursuant to a non-brokered financing (first tranche) at a price of \$1.00 for aggregate gross proceeds of \$30,078,182. The Company paid share issuance costs of \$470,340 as finder fees.

During the period ended December 31, 2017, the Company issued 1 incorporation share for a nominal value.

Common shares issuances subsequent to year end

On February 22, 2019, MichiCann issued 4,500,000 MichiCann Shares pursuant to a non-brokered financing (second tranche) at a price of \$1.00 per MichiCann Share for aggregate proceeds of 4,500,000.

On February 22, 2019, MichiCann issued 2,240,000 MichiCann Shares pursuant to a new non-brokered financing at a price of \$2.50 per MichiCann Share for aggregate proceeds of \$5,600,000.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

Common shares issuances subsequent to year end (Continued)

On February 25, 2019, MichiCann issued \$15,000,000 principal amount of senior secured convertible debenture (the "Tidal Debenture") to Tidal. The Tidal Debenture becomes due and payable (the "Tidal Debenture Maturity Date") on the earliest of: (i) August 25, 2019 (subject to extension) and (ii) the date that all amounts owing under the Tidal Debenture become due and payable in accordance with the terms of the Tidal Debenture, including following an event of default.

The Tidal Debenture is convertible into MichiCann Shares in the in the event that the Proposed Transaction is not completed prior to the Tidal Debenture Maturity Date and MichiCann instead completes a "Change of Control" or a "Go Public Transaction" as such terms are defined in the Tidal Debenture. In such circumstances, the holder has the right to convert the Tidal Debenture at a price per MichiCann Share equal to the lesser of (i) \$2.50 per MichiCann Share; and (ii) a 20% discount to the issue price or effective price per MichiCann Share for any financing completed as part of or concurrently with the Go Public Transaction, if applicable, or the effective purchase price per MichiCann Share in the case of a Change of Control transaction. The Tidal Debenture is secured against the assets of MichiCann pursuant to a general security and pledge agreement dated February 25, 2019 (the "GSA and Pledge Agreement").

Options

On October 1, 2018, the Company granted 2,000,000 stock options to various consultants, directors and officers of the Company. These stock options vest 12.5% on January 1, 2019, 12.5% on April 1, 2019, 12.5% on July 1, 2019, 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020 and the remaining 12.5% on October 1, 2020. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

On October 1, 2018, the Company granted 2,500,000 stock options to various consultants, directors and officers of the Company. These stock options vest 25% on January 1, 2019, 25% on April 1, 2019, 25% on July 1, 2019, 25% on October 1, 2019. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

The options granted during the year ended December 31, 2018 have a fair value of \$3,739,048 estimated using the Black-Scholes options pricing model.

The following options were outstanding at December 31, 2018:

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
October 1, 2018	October 1, 2023	\$ 0.50	4,500,000	
			4,500,000	

Warrants

During the year ended December 31, 2018, the Company issued 595,340 finder's warrants with an exercise price of \$1.00 per common share of the Company for a period of two years. The finder's warrants have a fair value of \$315,235 estimated using the Black-Scholes options pricing model.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
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Warrants (Continued)

The following warrants were outstanding at December 31, 2018:

Issue Date	Expiry Date	Exercise Price	Number of Warrants	Exercisable
December 19, 2018	December 19, 2020	\$ 1.00	595,340	595,340
			595,340	595,340

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, trade payables and related party loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these instruments approximates their carrying value due to the short-term nature of their maturity.

Critical Accounting Estimates

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Adoption of New and Revised Standards and Interpretations

On January 1, 2018, the Company adopted the following accounting pronouncements retrospectively with no restatement of comparative periods:

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 with a date of initial application as of January 1, 2018. IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The adoption of IFRS 15 did not have an impact on the Company's financial statements.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results

For the year ended 31 December 2018

Adoption of New and Revised Standards and Interpretations (Continued)

IFRS 9 Financial Instruments

The Company adopted IFRS 9 with a date of initial application as of January 1, 2018. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business model under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

Financial Assets	Previous classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Other financial assets – amortized cost	Amortized cost
Receivables	Other financial assets – amortized cost	Amortized cost
Note Receivable	Other financial assets – amortized cost	Amortized cost
Financial Liabilities	Previous classification under IAS 39	New classification under IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities – amortized cost	Amortized cost
Due to related parties	Other financial liabilities – amortized cost	Amortized cost
Convertible debentures	Other financial liabilities – amortized cost	Amortized cost

Recent Accounting Pronouncements

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective and is currently assessing their impact on the financial statements.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results

For the year ended 31 December 2018

Adoption of New and Revised Standards and Interpretations (Continued)

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

This standard is applicable to the Company's annual period beginning January 1, 2019. The Company does not expect there to be a material impact on adoption.

Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the period.

Management's Responsibility for Consolidated Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of Management. In the preparation of these statements estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Consolidated Financial Statements.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

Risks

The Investment in the common shares must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development.

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

Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports.

Outlook

Although current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance they will be able to do so in the future. The financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially, from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Other Information

Additional information about the Company is available on SEDAR at www.sedar.com.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results

For the year ended 31 December 2018

Subsequent Events

PharmaCo Agreements

On January 4, 2019, MichiCann entered into a put/call option agreement (the "Put/Call Option Agreement") with PharmaCo and its shareholders ("PharmaCo Shareholders") pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo Shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann Shares in the aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation ("BMMR") within the Department of Licensing and Regulatory Affairs ("LARA") in the State of Michigan.

On January 4, 2019, MichiCann entered into a debenture purchase agreement (the "Debenture Purchase Agreement") with PharmaCo pursuant to which MichiCann agreed to purchase an up to US \$114,734,209 8% senior secured convertible debenture of PharmaCo (the "Opco Debenture"). The Opco Debenture has a maturity date of January 4, 2023 unless the Opco Debenture becomes earlier due.

The principal amount of Opco Debenture outstanding is convertible at any time on the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the holder received LARA's written approval of the Holder Application (application seeking permission to convert the Debenture and own the Conversion Shares). In such circumstances, the principal amount of the Opco Debenture is convertible into common shares of Opco at a conversion price equal to the then outstanding balance of the Opco Debenture divided by the total number of Opco Shares then outstanding.

Notwithstanding the foregoing, the conversion of the Opco Debenture is subject to PharmaCo and MichiCann having obtained all required permits from governmental authorities in connection with MichiCann's ownership of Opco Shares, including, without limitation, all required cannabis licenses or related permits issued by LARA (but excluding any permit or other requirement which arises or may arise under any Excluded Law).

The Opco Debenture is secured against the assets of PharmaCo pursuant to security agreement dated as of January 4, 2019.

On January 4, 2019, MichiCann advanced USD \$21,320,758.20 as a first tranche under the Opco Debenture, (which, included prior advances of USD \$4,269,521.00 (CAD \$5,700,400) made by MichiCann to Opco pursuant to various non-interest bearing promissory notes).

On February 22, 2019, MichiCann advanced USD \$6,046,863.19 as a second tranche under the Opco Debenture.

On March 1, 2019, MichiCann advanced USD \$11,327,594.02 as a third tranche under the Opco Debenture.

Michicann Medical Inc.

Management's Discussion and Analysis of Financial Results
For the year ended 31 December 2018

Subsequent Events (Continued)

Tidal Royalty Corp. Definitive Agreement

On May 8, 2019, the Company has executed a business combination agreement (the "Definitive Agreement") with Tidal Royalty Corp. pursuant to which the Tidal will acquire all of the issued and outstanding shares of the Company (the "Proposed Transaction"). Under the terms of the Definitive Agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.0 common shares of Tidal, for each one (1) MichiCann common share, subject to adjustment in certain circumstances as set out in the Definitive Agreement (the "Exchange Ratio"). Upon completion of the Proposed Transaction, and assuming no other issuances of securities by MichiCann, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company (the "Resulting Issuer"), respectively, on a fully diluted basis. All outstanding options and warrants to purchase MichiCann common shares will be replaced with options and warrants to purchase common shares of the Resulting Issuer in accordance with the Exchange Ratio.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly-owned subsidiary of the Tidal ("Subco") will amalgamate with the Company (the "Amalgamation"). The Proposed Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the "CSE") and as a result Tidal will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent. The Amalgamation will also require the approval by 66 2/3 of the votes cast by shareholders of MichiCann at a special meeting of shareholders to be held on or before May 24, 2019.

Immediately prior to the completion of the Amalgamation, the Tidal will (i) complete a share consolidation on a 8:1 basis (the "Consolidation"), (ii) the Company will change its name to "Red White & Bloom Inc." or such other name as may be approved by the board of directors of the Tidal and accepted by the relevant regulatory authorities (the "Name Change") and (iii) reconstitute its board of directors (the "Board") such that the board of the Resulting Issuer will consist of six (6) directors, which will include two (2) members of the current board of Tidal and four (4) nominees of MichiCann (the "Board Appointments"). On completion of the Proposed Transaction, the board of the Resulting Issuer will also appoint a nominee of Tidal to act in the capacity as a board observer, and such board observer will be nominated and recommended for election as a director at the next annual shareholders meeting of the Resulting Issuer.

Pursuant to the terms of the Definitive Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the common share of the Resulting Issuer, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (vi) other closing conditions customary for transactions of this nature.

Appendix G
Interim Financial Statements of MichiCann Medical Inc. for the Year Ended
December 31, 2019

MichiCann Medical Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

MichiCann Medical Inc.

For the Years Ended December 31, 2019 and 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of MichiCann Medical Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

Smythe LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board and management to discuss their audit findings.

April 29, 2020

/s/ Michael Marchese

Michael Marchese, Director

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MICHICANN MEDICAL INC.

Opinion

We have audited the consolidated financial statements of MichiCann Medical Inc. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at December 31, 2019 and 2018;
- ♦ the consolidated statements of comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company's working capital deficiency was \$16,071,433 and has accumulated losses of \$14,677,625 as at December 31, 2019. As stated in Note 2, these events and conditions, along with other matters set forth in Note 2, indicated that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Yokichi Nishi

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2020

MichiCann Medical Inc.Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		December 31, 2019	December 31, 2018
	Notes	\$	\$
ASSETS			
Current assets			
Cash		1,378,687	24,377,286
Prepaid expenses		124,140	50,000
Accounts receivable	5	1,463,388	-
Loans receivable	6	36,504,397	10,510,400
		39,470,612	34,937,686
Non-current assets			
Equipment	13	10,847	-
Deposits	6, 17	12,530,659	-
Loans receivable	6	36,419,594	-
Call option	6	19,547,757	-
		68,508,857	-
Total assets		107,979,469	34,937,686
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	1,334,370	161,937
Convertible debentures	11	17,597,600	-
Bridge financing	12	36,610,075	-
Total liabilities		55,542,045	161,937
Shareholders' equity			
Share capital	7	61,366,160	35,111,680
Contributed surplus	7	5,748,889	1,952,794
Subscriptions receivable	7	-	(125,000)
Deficit		(14,677,625)	(2,163,725)
Total shareholders' equity		52,437,424	34,775,749
Total liabilities and shareholders' equity		107,979,469	34,937,686

Approved and authorized for issuance on behalf of the Board of Directors on April 29, 2020 by:

/s/Michael Marchese

Michael Marchese, Director

(The accompanying notes are an integral part of these consolidated financial statements)

MichiCann Medical Inc.Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

		Year ended December 31, 2019	Year ended December 31, 2018
	Notes	\$	\$
Expenses			
Share-based compensation	7	3,796,095	1,637,559
Interest expense	12	3,540,353	-
Commissions	12	2,361,459	-
Professional fees		1,952,329	53,522
Consulting fees		919,839	325,000
Marketing		913,412	32,921
Salaries and wages		568,167	-
General and administration		79,235	7,865
Depreciation	13	1,898	-
Foreign exchange loss (gain)		1,385,803	(25,465)
Loss before other items		(15,518,590)	(2,031,402)
Other expenses (income)			
Interest income	6	(3,960,708)	-
Management fees	5	(1,111,637)	-
Accretion of loans receivable	6	(2,340,164)	-
Accretion expense	11	-	139,938
Loss on revaluation of call option	6	4,407,819	-
		(3,004,690)	139,938
Loss before income tax		(12,513,900)	(2,171,340)
Deferred income tax recovery	16	-	(40,301)
Net loss and comprehensive loss for the year		(12,513,900)	(2,131,039)
Net loss per share, basic and diluted		(0.16)	(0.06)
Weighted average shares outstanding		80,700,135	38,474,379

(The accompanying notes are an integral part of these consolidated financial statements)

MichiCann Medical Inc.

 Consolidated Statements of Changes in Equity
 (Expressed in Canadian dollars)

	Share capital		Subscriptions receivable \$	Reserves \$	Convertible debentures – equity component \$	Deficit \$	Total \$
	Number of shares	Amount \$					
Balance, December 31, 2017	1	1	-	-	70,950	(32,686)	38,265
Equity component of convertible debentures	-	-	-	-	56,017	-	56,017
Deferred income tax on equity components of convertible debentures	-	-	-	-	(15,125)	-	(15,125)
Convertible debentures exercised	2,024,000	1,114,518	-	-	(111,842)	-	1,002,676
Shares issued, net	72,198,181	34,312,396	(125,000)	-	-	-	34,187,396
Finders' warrants issued	-	(315,235)	-	315,235	-	-	-
Share-based compensation	-	-	-	1,637,559	-	-	1,637,559
Net loss for the year	-	-	-	-	-	(2,131,039)	(2,131,039)
Balance, December 31, 2018	74,222,182	35,111,680	(125,000)	1,952,794	-	(2,163,725)	34,775,749
Shares issued, net	9,989,570	26,254,480	125,000	-	-	-	26,379,480
Share-based compensation	-	-	-	3,796,095	-	-	3,796,095
Net loss for the year	-	-	-	-	-	(12,513,900)	(12,513,900)
Balance, December 31, 2019	84,211,752	61,366,160	-	5,748,889	-	(14,677,625)	52,437,424

(The accompanying notes are an integral part of these consolidated financial statements)

MichiCann Medical Inc.Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended December 31, 2019	Year ended December 31, 2018
	Notes	\$	\$
Operating activities			
Net loss for the year		(12,513,900)	(2,131,039)
Items not affecting cash:			
Share-based compensation	7	3,796,095	1,637,559
Accrued interest receivable	6	(3,832,577)	-
Accrued interest payable	12	229,399	-
Accretion of loans receivable	6	(2,340,164)	139,938
Unrealized foreign exchange gain		(1,442,606)	-
Loss on revaluation of call option	6	4,407,819	-
Depreciation	13	1,898	-
Deferred income tax recovery		-	(40,301)
Changes in non-cash operating working capital:			
Prepaid expenses		(74,140)	247,917
Accounts receivable	5	(1,463,388)	-
Accounts payable and accrued liabilities		1,127,093	134,495
Net cash used in operating activities		(12,104,471)	(11,431)
Investing activity			
Purchase of equipment	13	(12,745)	-
Deposits	6, 17	(12,246,787)	-
Loans receivable	6	(79,090,092)	(5,700,400)
Net cash used in investing activities		(91,349,624)	(5,700,400)
Financing activities			
Issuance of share capital, net	7	26,299,820	29,502,396
Subscriptions receivable	7	125,000	(125,000)
Convertible debentures	11	17,650,000	385,000
Bridge financing	12	36,380,676	-
Net cash provided by financing activities		80,455,496	24,061,996
Increase (decrease) in cash		(22,998,599)	24,050,565
Cash, beginning of the year		24,377,286	326,721
Cash, end of the year		1,378,687	24,377,286

Supplemental disclosure of cash flow information (Note 14)

(The accompanying notes are an integral part of these consolidated financial statements)

MichiCann Medical Inc.

Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

1. Background and Nature of Operations

MichiCann Medical Inc. (the “Company” or “MichiCann”) is a private cannabis investment company incorporated under the laws of Ontario on December 5, 2017. The Company’s head office and registered office is located at 8820 Jane Street, Concord, ON, L4K 2M9 Canada.

PharmaCo Inc. Agreements

On January 4, 2019, MichiCann entered into a put/call option agreement (the “Put/Call Option Agreement”) with PharmaCo Inc. (“PharmaCo”) and its shareholders (“PharmaCo Shareholders”) pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo Shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann common shares in aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation within the Department of Licensing and Regulatory Affairs (“LARA”) in the State of Michigan. Each PharmaCo Shareholder shall have the right, but not the obligation, as its sole direction, to sell to MichiCann all, but not less than all, of the PharmaCo common shares held by it. As at December 31, 2019, the call option was determined to have a fair value of \$19,547,757 using level 3 inputs of the fair value hierarchy.

On January 4, 2019, MichiCann entered into a debenture purchase agreement (the “Debenture Purchase Agreement”) with PharmaCo pursuant to which MichiCann agreed to purchase up to \$114,734,209 US Dollars (“USD”) of an 8% senior secured convertible debenture of PharmaCo (the “Opco Debenture”). The Opco Debenture is secured by all real and personal property and interests in the real and personal property of PharmaCo, whether now owned or subsequently acquired. The Opco Debenture has a maturity date of January 4, 2023 (the “Maturity Date”).

The principal amount of the Opco Debenture is convertible into common shares of PharmaCo at a conversion price equal to the then outstanding balance of the Opco Debenture divided by the total number of PharmaCo common shares then outstanding (the “Conversion Shares”). The principal amount and accrued interest of the Opco Debenture outstanding is convertible at any time on or prior to the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the Company received LARA’s written approval of the Holder Application (application seeking permission to convert the Opco Debenture and own the Conversion Shares).

Notwithstanding the foregoing, the conversion of the Opco Debenture is subject to PharmaCo and MichiCann having obtained all required permits from governmental authorities in connection with MichiCann’s ownership of PharmaCo common shares, including, without limitation, all required cannabis licenses or related permits issued by LARA (but excluding any permit or other requirement which arises or may arise under any excluded law).

RWB Illinois Inc.

On October 4, 2019, the Company acquired all of the issued and outstanding common shares of RWB Illinois, Inc., a corporation incorporated under the laws of the state of Delaware on October 4, 2019. The consideration paid for the acquisition was \$1.

2. Going Concern

These consolidated financial statements have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company’s working capital deficiency was \$16,071,433 (2018 – working capital of \$34,775,749) and has accumulated losses of \$14,677,625 (2018 - \$2,163,725) since inception.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not

MichiCann Medical Inc.

Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the consolidated statements of financial position classifications used. Such adjustments could be material.

3. Basis of presentation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretation of the IFRS Interpretations Committee (“IFRIC”)

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2020.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial assets classified as fair value through profit or loss, which are measured at fair value, as detailed in Note 8. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, RWB Illinois Inc. All intercompany balances and transactions have been eliminated upon consolidation.

(d) Functional and presentation currency

All figures presented in these consolidated financial statements are reflected in Canadian dollars (“CAD”), which is the functional currency of the Company.

4. Significant Accounting Policies

(a) Use of Estimates and Judgments

The preparation of these 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, revenues and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated financial statements, management has made significant assumptions which are applied in determining the fair values of the loans receivable and convertible debentures at the reporting date, including that the transaction with Tidal Royalty Corp. (“Tidal”) will complete timely as described in Note 17 and that the Company will exercise its conversion rights pursuant to the Debenture Purchase Agreement. Should the assumptions be incorrect, it would result in a material adjustment to the carrying amount of certain assets and liabilities.

MichiCann Medical Inc.

Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

Other significant assumptions about the future and other sources of estimation uncertainty that management has made as at the consolidated statement of financial position date that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Share-based Compensation

The Company provides compensation benefits to its consultants, directors and officers through a stock option plan. The fair value of each option award is estimated using the Black-Scholes option pricing model which utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumptions on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

Convertible Debentures

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument. The fair value of any derivative feature embedded in the compound financial instrument (other than the equity component, such as an equity conversion feature) is presented as a liability instrument. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability component is also based on a number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

Derivative Financial Instruments

A derivative is a financial instrument whose value is based on an underlying asset or set of assets. The Company has determined that its call option represents a derivative financial instrument and as such has been measured at fair value in accordance with level 3 of the fair value hierarchy. Accordingly, the fair value of derivative financial instruments was determined using inputs that are not based on observable market data and therefore requires judgment from management.

Deferred Income Taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of these consolidated financial statements.

Loans Receivable

Management applies judgment in the assessment of the collectability of the loans and interest receivable.

Accounts Receivable

Management applies judgement in the assessment of the collectability of its trade receivables included in accounts receivable.

MichiCann Medical Inc.

Notes to the consolidated financial statements
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars)

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances

(b) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, based on the estimated useful lives of the assets, is provided using the following methods:

Computer hardware	3 years	Straight-line
Computer software	3 years	Straight-line

Equipment acquired during the year but not placed into use are not depreciated until they are placed into use.

(c) Share capital

Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share options are recognized as a reduction from equity

Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the comparable issuance price of common shares issued without warrants. Any excess of proceeds is allocated to warrants. Transaction costs directly attributable to the issuance of units are recognized as a reduction from equity.

(d) Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

To date the Company has not recognized any impairment loss.

(e) Share-based compensation

Share-based compensation to employees and those providing employee-like services are measured at the fair value of the instruments issued at the grant date and recognized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based expense is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and non-employees, the fair value of share-based compensation expense is recognized in profit or loss, with a corresponding increase in contributed surplus. When options expire unexercised, these amounts are reclassified into deficit.

(f) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. The calculation of diluted earnings per share assumes that the outstanding options and warrants are exercised, and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. Diluted loss per share is not presented if the effects are anti-dilutive.

(g) Income taxes

Deferred tax is calculated on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

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Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in profit and loss.

(i) Financial instruments

The Company recognizes a financial asset or liability when it becomes party to the contractual provisions of the instrument. The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value through profit or loss ("FVTPL");
- ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI");
- and
- iii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets if and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at amortized cost

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Financial assets in this category include accounts receivable and loans receivable.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost are measured at FVTPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. The Company has no designated hedges. Financial instruments classified as FVTPL are stated at fair value with changes in fair value recognized in profit or loss for the period. Financial assets in this category include cash and call option.

Financial assets at fair value through other comprehensive income

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. The Company does not have any financial assets classified as fair value through other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a

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significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities at amortized cost are classified as current or non-current based on their maturity date. Financial liabilities in this category include accounts payable and accrued liabilities and bridge financing.

Financial liabilities at fair value through profit or loss

This category is comprised of derivative financial liabilities. Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Financial liabilities in this category include convertible debentures.

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 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 upon observable market data.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized

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amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(j) Adoption of accounting standard

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* (“IFRS 16”) effective January 1, 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company reviewed its current operations and noted no impact on the adoption of IFRS 16.

5. Accounts Receivable

Accounts receivable is comprised of:

	December 31, 2019 \$	December 31, 2018 \$
Trade receivables	1,111,637	-
Sales tax receivable	351,751	-
Total accounts receivable	1,463,388	-

Trade receivables are related to management fees charged to PharmaCo.

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services serviced in Canada.

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6. Loans Receivable

(a) Debenture with PharmaCo

During the year ended December 31, 2018, the Company advanced a series of funds, totalling \$5,700,400, to PharmaCo, an arms-length party, in the form of a debenture. The debenture was non-interest bearing, unsecured and is due on demand. On January 4, 2019, the debenture totalling \$5,700,400 was transferred into the OpCo Debenture, which is discussed below.

(b) Debt settlement on behalf of PharmaCo

During the year ended December 31, 2018, the Company issued 4,810,000 common shares valued at \$1.00 per common share for a total of \$4,810,000 to a third-party, as consideration to settle amounts owed by PharmaCo to the third-party. The amount due from PharmaCo to the Company of \$4,810,000 (2018 - \$4,810,000) is non-interest bearing, unsecured and has no fixed terms of repayment. This debenture is included in current loans receivable as of December 31, 2019.

(c) OpCo Debenture

On January 4, 2019, the Company entered a Debenture Purchase Agreement with PharmaCo. Under the terms of this agreement, the Company will advance a principal amount of up to USD \$114,734,209. As of December 31, 2019, the Company has advanced \$48,502,029 plus the \$5,700,400 debenture that was transferred to the OpCo Debenture for a total advance of \$54,202,429. The OpCo Debenture earns interest at 8% per annum and is secured by all real and personal property and interests in the real and personal property of PharmaCo, whether now owned or subsequently acquired. The OpCo Debenture including all accrued interest has a maturity date of January 4, 2023. As of December 31, 2019, there is \$3,832,577 of accrued interest relating to the OpCo Debenture included in non-current loans receivable.

Concurrent with the OpCo Debenture, the Company entered a Put/Call Option Agreement with PharmaCo, as described in Note 1. Both the OpCo Debenture and the call option are financial instruments measured at fair value through profit or loss. At the agreement date, the fair value of the OpCo Debenture was determined to be \$30,246,853 and the fair value of the call option was determined to be \$23,955,576.

During the year ended December 31, 2019, the Company recorded accretion income of \$2,340,164 on the OpCo Debenture. As of December 31, 2019, the value of the OpCo Debenture of \$32,587,017 is included in non-current loans receivable.

During the year ended December 31, 2019, the Company recorded a loss on revaluation of call option of \$4,407,819. As of December 31, 2019, the fair value of the call option is \$19,547,757.

(d) Promissory note with PharmaCo

On June 7, 2019, the Company entered a Promissory Note Agreement ("Promissory Note") with PharmaCo. Under the terms of this agreement, the Company advanced a principal amount of \$30,648,517. The Promissory Note is non-interest bearing, unsecured, and matures on January 2, 2020. On January 2, 2020, the Company entered a Promissory Note Extension Agreement with PharmaCo. The Promissory Note is non-interest bearing, unsecured, and matures on January 2, 2021. The funds advanced under the Promissory Note were received from the Bridge Financing (Note 12). The Promissory Note is included in current loans receivable as of December 31, 2019.

(e) Other amounts with PharmaCo

During the year ended December 31, 2019, additional funds were advanced to and from PharmaCo, including \$300,000 to PharmaCo for operating expenditures and a \$670,500 deposit made by

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PharmaCo to Kings Garden Inc. on behalf of the Company, pursuant to the letter of intent (the "LOI") with Kings Garden Inc. (Note 17) and \$58,172 of expenditures paid by PharmaCo on behalf of the Company. These amounts are non-interest bearing, unsecured, and have no fixed terms of repayment and are included in current loans receivable as of December 31, 2019.

(f) Other amounts with Mid-American Growers

During the year ended December 31, 2019, \$12,079,652 was advanced to MAG. Included in this amount was a \$10,605,100 (USD \$8,000,000) deposit for the acquisition of MAG and the Illinois Facility which was subsequently completed on January 10, 2020 (Note 18) and \$1,474,552 advanced for operating expenditures. These amounts are non-interest bearing, unsecured, and were repayable to the Company had the acquisition of MAG not been completed. The amount paid for a deposit for the acquisition of MAG and the Illinois Facility is included in deposits as at December 31, 2019. The amounts advanced for operating expenditures are included in current loans receivable as at December 31, 2019.

7. Share Capital

Authorized share capital:

Unlimited number of common shares without par value.

Outstanding share capital:

On January 2, 2018, the Company issued 37,309,999 founder common shares for gross proceeds of \$37.

On November 21, 2018, the Company issued an aggregate of \$1,012,000 principal amount of unsecured convertible debentures (the "Unsecured Debentures") convertible into one common share of the Company at a price of \$0.50 per common share. All Unsecured Debentures were converted into an aggregate of 2,024,000 common shares of the Company on November 21, 2018 (Note 11).

On December 19, 2018, the Company issued 30,078,182 common shares pursuant to a non-brokered financing (first tranche) at a price of \$1.00 for aggregate gross proceeds of \$30,078,182. The Company paid share issuance costs of \$470,340 as finder fees. Subsequent to December 31, 2018, \$125,000 in subscriptions receivable was received.

On December 19, 2018, the Company completed the issuance of 4,810,000 common shares to settle certain debts of PharmaCo at a price of \$1.00 per common share for a total of \$4,810,000. The shares were issued to settle amounts owed by PharmaCo to a third-party company (Note 6).

On February 22, 2019, the Company issued 4,500,000 common shares pursuant to a non-brokered financing (second tranche) at a price of \$1.00 per common share for aggregate proceeds of \$4,500,000.

On February 22, 2019, the Company issued 2,240,000 common shares pursuant to a non-brokered financing at a price of \$2.50 per common share for aggregate proceeds of \$5,600,000.

On September 30, 2019, the Company issued 1,178,100 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$5,890,500.

On October 1, 2019, the Company issued 345,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$1,725,000.

On October 9, 2019, the Company issued 844,470 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$4,222,350.

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On October 23, 2019, the Company issued 1,200,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$6,000,000.

On November 1, 2019, the Company cancelled 345,000 common shares. The original proceeds of \$1,725,000 were returned to the purchasers and reversed from common shares on the statement of changes in equity.

On December 18, 2019, the Company issued 27,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$135,000.

The Company paid share issuance costs of \$93,370 for non-brokered financing completed in the year ended December 31, 2019.

Warrants:

During the year ended December 31, 2018, the Company issued 595,430 finders' warrants with an exercise price of \$1.00 per common share of the Company for a period of two years. No warrants were issued during the year ended December 31, 2019.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2017	-	\$ -
Issued	595,430	1.00
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	595,430	\$ 1.00
Issued	-	-
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2019	595,430	\$ 1.00

The following warrants were outstanding and exercisable at December 31, 2019:

Issue Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
December 19, 2018	December 19, 2020	\$ 1.00	595,340	595,340
			595,340	595,340

Options:

On October 1, 2018, the Company granted 2,000,000 stock options to a consultant and an officer of the Company. These stock options vest 12.5% on January 1, 2019, 12.5% on April 1, 2019, 12.5% on July 1, 2019, 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020 and the remaining 12.5% on October 1, 2020. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

On October 1, 2018, the Company granted 2,500,000 stock options to consultants of the Company. These stock options vest 25% on January 1, 2019, 25% on April 1, 2019, 25% on July 1, 2019, 25% on October 1, 2019. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

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On January 15, 2019, the Company granted a total of 1,100,000 stock options to a consultant of the Company. 500,000 of these stock options vest on April 1, 2019. These stock options have an exercise price of \$1.00 per share and expire on January 15, 2024. The remaining 600,000 of these stock options vest on October 1, 2019. These stock options have an exercise price of \$2.50 per share and expire on January 15, 2024.

On February 1, 2019, the Company granted 400,000 stock options to a consultant of the Company. These stock options vest 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020, 12.5% on October 1, 2020, 12.5% on January 1, 2021, 12.5% on April 1, 2021 and the remaining 12.5% on July 1, 2021. These stock options have an exercise price of \$1.00 per share and expire on February 1, 2024.

On April 1, 2019, the Company granted 400,000 stock options to a consultant of the Company. These stock options vest 25% on October 1, 2019, 25% on January 1, 2020, 25% on April 1, 2020, and 25% on July 1, 2020. These stock options have an exercise price of \$1.00 per share and expire on April 1, 2024.

On April 15, 2019, the Company granted 12,500 stock options to an employee of the Company. These options vest 34% on April 15, 2020, 33% on April 15, 2021, and 33% on April 15, 2022. These stock options have an exercise price of \$1.00 and expire on April 15, 2024.

On April 29, 2019, the Company granted 500,000 stock options to a consultant of the Company. These options vest 25% on April 29, 2019, 25% on May 30, 2019, 25% on August 30, 2019, and 25% on December 30, 2019. These stock options have an exercise price of \$1.00 and expire on April 29, 2024.

On May 13, 2019, the Company granted 350,000 stock options to an executive of the Company. These stock options vest 12.5% on May 13, 2019, 12.5% on August 13, 2019, 12.5% on November 13, 2019, 12.5% on February 13, 2020, 12.5% on May 13, 2020, 12.5% on August 13, 2020, 12.5% on November 13, 2020 and the remaining 12.5% on February 13, 2021. These stock options have an exercise price of \$1.00 per share and expire on May 13, 2024.

On May 21, 2019, the Company granted 30,000 stock options to an employee of the Company. These stock options vest 12.5% on May 21, 2019, 12.5% on August 21, 2019, 12.5% on November 21, 2019, 12.5% on February 21, 2020, 12.5% on May 21, 2020, 12.5% on August 21, 2020, 12.5% on November 21, 2020 and the remaining 12.5% on February 21, 2021. These stock options have an exercise price of \$1.00 per share and expire on May 21, 2024.

On August 12, 2019, the Company granted 12,500 stock options to an employee of the Company. These options vest 34% on August 12, 2020, 33% on August 12, 2021, and 33% on August 12, 2022. These stock options have an exercise price of \$1.00 and expire on August 12, 2024.

On November 13, 2019, the Company granted 100,000 stock options to an employee of the Company. These options vest 8.3% on February 13, 2020, 8.3% on May 13, 2020, 8.3% on August 13, 2020, 8.3% on November 13, 2020, 8.3% on February 13, 2021, 8.3% on May 13, 2021, 8.3% on August 13, 2021, 8.3% on November 13, 2021, 8.3% on February 13, 2022, 8.3% on May 13, 2022, 8.3% on August 13, 2022, and 8.3% on November 13, 2022. These stock options have an exercise price of \$1.00 and expire on November 13, 2024.

On November 22, 2019, the Company granted 25,000 stock options to an employee of the Company. These options vest 8.3% on February 13, 2020, 8.3% on May 13, 2020, 8.3% on August 13, 2020, 8.3% on November 13, 2020, 8.3% on February 13, 2021, 8.3% on May 13, 2021, 8.3% on August 13, 2021, 8.3% on November 13, 2021, 8.3% on February 13, 2022, 8.3% on May 13, 2022, 8.3% on August 13, 2022, and 8.3% on November 13, 2022. These stock options have an exercise price of \$1.00 and expire on November 22, 2024.

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The options granted during the year ended December 31, 2019 have a fair value of \$2,593,834 (2018 - \$3,739,048) estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.92%	2.42%
Expected term (in years)	5.00	5.00
Estimated dividend yield	0%	0%
Estimated volatility	100.00%	100.00%

During the year ended December 31, 2019, the Company recognized \$3,796,095 (2018 - \$1,637,559) in share-based compensation under graded vesting.

Options transactions and the number of options outstanding are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2017	-	\$ -
Granted	4,500,000	0.50
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	4,500,000	\$ 0.50
Granted	2,930,000	1.26
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2019	7,430,000	\$ 0.80

The following options were outstanding and exercisable at December 31, 2019:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
October 1, 2018	October 1, 2023	\$ 0.50	4,500,000	3,500,000
January 15, 2019	January 15, 2024	\$ 1.00	500,000	500,000
January 15, 2019	January 15, 2024	\$ 2.50	600,000	600,000
February 1, 2019	February 1, 2024	\$ 1.00	400,000	50,000
April 1, 2019	April 1, 2024	\$1.00	400,000	100,000
April 15, 2019	April 15, 2024	\$1.00	12,500	-
April 29, 2019	April 29, 2024	\$1.00	500,000	500,000
May 13, 2019	May 13, 2024	\$1.00	350,000	131,250
May 21, 2019	May 21, 2024	\$1.00	30,000	11,250
August 12, 2019	August 12, 2024	\$1.00	12,500	-
November 13, 2019	November 13, 2024	\$1.00	100,000	-
November 22, 2019	November 22, 2024	\$1.00	25,000	-
			7,430,000	5,392,500

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8. Financial Instruments and Risks

(a) Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at December 31, 2019 and December 31, 2018 as follows:

	Fair Value Measurements Using			Balance \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
December 31, 2019				
Cash	1,378,687	-	-	1,378,687
Accounts receivable	1,463,388	-	-	1,463,388
Loans receivable	72,923,991	-	-	72,923,991
Refundable deposits	10,605,100	-	-	10,605,100
Call option	-	-	19,547,757	19,547,757
Total	86,371,166	-	19,547,757	105,918,923
<hr/>				
Accounts payable and accrued liabilities	1,334,370	-	-	1,334,370
Convertible debentures	17,597,600	-	-	17,597,600
Bridge financing	36,610,075	-	-	36,610,075
Total	55,542,045	-	-	55,542,045
<hr/>				
December 31, 2018				
Cash	24,377,286	-	-	24,377,286
Loan receivable	10,510,400	-	-	10,510,400
Total	34,887,686	-	-	34,887,686
<hr/>				
Accounts payable and accrued liabilities	161,937	-	-	161,937
Total	161,937	-	-	161,937

The fair values of other financial instruments, which include accounts payable and accrued liabilities, loans receivable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable and loans receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company is exposed to significant credit risk on its loans receivable. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

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The Company has cash and loans receivable denominated in US dollars and, as a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's operating results due to the translation of monetary assets.

At December 31, 2019, a 5% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately \$2,586,608 (December 31, 2018 - 10%, \$125,000) for the year ended December 31, 2019.

(d) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore the Company does not consider interest rate risk for cash to be significant.

As at December 31, 2019, the interest rate on loans receivable and convertible debentures is fixed based on the contracts in place. As such, the Company is exposed to interest rate risk to the extent as stated on these financial assets and liabilities.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

As at December 31, 2019, the Company had a cash balance of \$1,378,687 (2018 - \$24,377,286) available to apply against short-term business requirements and current liabilities of \$55,542,045 (2018 - \$161,937). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2019.

9. Related Party Transactions

The following is a summary of related party transactions that occurred during the year ended December 31, 2019:

- (a) Included in accounts payable and accrued liabilities is \$377,157 (2018 - \$6,250) payable to officers and a director of the Company. Amounts due to related parties have no stated terms of interest and/or repayment, and are unsecured.
- (b) Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	December 31, 2019	December 31, 2018
	\$	\$
Consulting fees paid or accrued to a company controlled by the director of the Company	108,000	75,000
Salary paid to management of the Company	495,632	-
Share-based compensation	655,380	280,829

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the years ended December 31, 2019 and 2018.

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10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, convertible debentures and equity, comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There were no changes to the Company's approach to capital management during the year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains the same for the periods presented.

11. Convertible Debentures

During the period ended December 31, 2017, the Company issued \$627,000 in convertible debentures to a group of arms-length lenders. The convertible debentures were non-interest bearing and are convertible into common shares of the Company at a conversion price of \$0.50 per common share.

On issuance, the Company allocated the total proceeds received between the liability and equity components of the convertible debenture using the residual method, based on a discount rate of 18%, which is the estimated cost at which the Company could borrow similar debt without a conversion feature. The liability component with a fair value of \$530,874 on inception is measured at amortized cost and is accrued over the expected term to maturity using the effective interest method. The equity component with a fair value of \$96,126 on inception is presented as a component of shareholders' equity and is offset by the deferred income tax recovery of \$25,176.

During the year ended December 31, 2018, the Company issued additional convertible debentures totaling \$385,000 to a group of arms-length lenders. The convertible debentures were non-interest bearing and are convertible into common shares of the Company at a conversion price of \$0.50 per common share.

On inception, the Company allocated the total proceeds received between the liability and equity components of the convertible debenture using the residual method, based on a discount rate of 18%, which is the estimated cost at which the Company could borrow similar debt without a conversion feature. The liability component with a fair value of \$328,983 on inception is measured at amortized cost and is accrued over the expected term to maturity using the effective interest method. The equity component with a fair value of \$56,017 on inception is presented as a component of shareholders' equity.

During the year ended December 31, 2018, the total convertible debentures outstanding of \$1,012,000 were converted into 2,024,000 common shares of the Company.

Tidal Royalty Corp. Debenture

During the year ended December 31, 2019, the Company issued a \$17,650,000 (consisting of advances of CAD \$15,000,000 and USD \$2,000,000) senior secured convertible debenture (the "Tidal Debenture") to Tidal. The Tidal Debenture becomes due and payable (the "Tidal Debenture Maturity Date") on the earlier of: (i) September 30, 2019 (extended to April 30, 2020) and (ii) the date that all amounts owing under the Tidal Debenture become due and payable in accordance with the terms of the Tidal Debenture, including following an event of default. In the event of a default, the Tidal Debenture will bear interest at 12% per annum. As of December 31, 2019, the Tidal Debenture is due on demand. Subsequent to year-end on March 12, 2020, the Tidal Debenture Maturity Date was extended to April 30, 2020.

The Tidal Debenture is convertible into common shares of the Company in the event that the Proposed Transaction, as described in Note 17 with Tidal is not completed prior to the Tidal Debenture Maturity Date and the Company instead completes a "Change of Control" or a "Go Public Transaction" as such

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terms are defined in the Tidal Debenture. In such circumstances, Tidal has the right to convert the Tidal Debenture into common shares of the Company at a price equal to the lesser of (i) \$2.50; and (ii) a 20% discount to the issue price or effective price for any financing completed as part of or concurrently with the Go Public Transaction, if applicable, or the effective purchase price per common share of the Company in the case of a Change of Control transaction. The Tidal Debenture is secured against the assets of the Company pursuant to a general security and pledge agreement dated February 25, 2019 (the "GSA and Pledge Agreement").

The Company may repay the Tidal Debenture prior to the Tidal Debenture Maturity Date at a price equal to 110% of the principal amount and any accrued interest without the prior written consent of Tidal if (i) the Proposed Transaction with Tidal is not capable of being completed prior to October 25, 2019; and (ii) both the Company and Tidal have acted in good faith and have used all commercially reasonable efforts to complete the Proposed Transaction.

On issuance, the Company determined that the conversion feature met the definition of a derivative liability and elected to measure the entire Tidal Debenture at fair value through profit or loss. This derivative liability component was determined to have a value of \$Nil as at December 31, 2019.

A continuity of the liability portion of the convertible debentures is as follows:

Balance, December 31, 2017	\$	533,755
Issuance of convertible debentures		328,983
Accretion expense		139,938
Settlement of convertible debentures		(1,002,676)
Balance, December 31, 2018		-
Issuance of convertible debentures		17,650,000
Revaluation of foreign currency balances		(52,400)
Balance, December 31, 2019	\$	17,597,600

12. Bridge Financing

On June 4, 2019, Bridging Finance Inc. (the "Lender") entered into a credit agreement (the "Credit Agreement") with the Company and PharmaCo (collectively, the "Borrowers") pursuant to which the Lender established a non-revolving credit facility (the "Facility") for the Borrowers in a maximum principal amount of \$36,374,400 (the "Facility Limit"). The purpose of the Facility is so that the Borrowers can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

The obligations under the Facility are due and payable on the earlier of: (a) the termination date (being January 4, 2020); and (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Credit Agreement).

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

- Interest at the prime rate plus 10.55% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and
- A work fee equal to \$909,360 (the "Work Fee") (paid by the Company).

The obligations under the Facility are secured by general security agreements on each Borrower, mortgages on certain owned real property of PharmaCo among other security obligations.

As the funds under the Facility (net of the Work Fee, commissions and other transaction expenses of the Lender) were advanced by the Lender directly to MichiCann, MichiCann in turn advanced the funds (net of MichiCann's transaction expenses) to PharmaCo pursuant to a Promissory Note issued

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by PharmaCo to MichiCann in the principal amount of \$30,648,517 (Note 6). Any amounts payable by PharmaCo or MichiCann to the Lender under the Facility will reduce the amount of PharmaCo's obligations to MichiCann on a dollar for dollar basis under the Promissory Note.

The Company paid financing fees related to the Facility, including the Work Fee, of \$2,361,459 which has been included as commission expenses for the year ended December 31, 2019. The Company also deducted a debt service reserve of \$3,323,524 from the total principal amount which serves to pay the interest on the Facility as it is incurred. During the year ended December 31, 2019, the Company incurred interest expense of \$3,540,353 on the Facility. As such, as of December 31, 2019 the debt service reserve balance is \$nil and the Company has interest payable of \$229,399 included in the bridge financing amount.

During the year ended December 31, 2019, the Company paid deposit of \$133,000 for additional professional fees. The remaining balance of the deposit as at December 31, 2019 was \$72,500.

On January 10, 2020, the Facility was amended (the "Amended Facility") pursuant to an amended and restated agreement between the Lender, MichiCann (as guarantor) and PharmaCo, RWB Illinois, Inc. ("RWB") and MAG (collectively as borrowers).

The Amended Facility increased the Facility Limit to USD \$49,750,000 in the aggregate of which USD \$27,000,000 was to refinance the existing Facility and USD \$22,750,000 was used to complete the MAG Acquisition (Note 18) and for general corporate and operating purposes.

The obligations under the Amended Facility are due and payable on the earlier of:

- (a) the termination date (being July 10, 2021 subject to the right of the Borrowers to extend the termination date by paying a 1% fee for two additional six-month periods for a total of 30 months); and
- (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Amended Facility).

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

- (a) Interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and
- (b) A work fee equal to \$1,492,500 (the "Amended Work Fee") (paid by the Company)

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13. Equipment

	Computer Hardware	
Cost		
Balance, December 31, 2018	\$	-
Additions		12,745
Balance, December, 2019	\$	12,745
Accumulated depreciation		
Balance, December 31, 2018	\$	-
Change for the year		1,898
Balance, December, 2019	\$	1,898
Carrying value		
December 31, 2018	\$	-
December 31, 2019	\$	10,847

14. Supplemental Disclosure of Cash Flow Information

	2019		2018	
Additional Information				
Shares issued for convertible debenture on conversion	\$	-	\$	4,810,000
Share issuance costs in accounts payable	\$	45,340	\$	-
Interest paid	\$	3,323,524	\$	-
Taxes paid	\$	-	\$	-

15. Segmented Information

The Company currently has an investment in one company in the cannabis industry and operates in one geographic location, being Canada.

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16. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019	2018
Loss before income taxes	\$ (12,513,900)	\$ (2,171,340)
Statutory income tax rate	26.50%	27.00%
Expected income tax recovery	(3,316,184)	(586,262)
Non-deductible recoveries and other	1,005,965	442,626
Effect of change in tax rates	5,674	-
Under (over) provided in prior years	44,209	-
Changes in unrecognized deductible temporary differences	341,622	85,901
Convertible debentures and others	-	(40,301)
Unused tax losses and tax offsets not recognized	1,918,714	57,735
Total income tax recovery	\$ -	\$ 40,301

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
	\$	\$
Deferred income tax assets		
Non-capital losses carried forward	5,180,156	-
Deferred income tax liabilities	(5,180,156)	-
Net deferred income tax assets (liabilities)	-	-

As at December 31, 2019, the Company has non-capital losses carried forward of approximately \$4,015,000 which are available to offset future years' taxable income and expires through to 2039.

	\$
2037	(30,000)
2038	(477,000)
2039	(3,508,000)
	(4,015,000)

17. Proposed Transactions

Tidal

On May 8, 2019, the Company executed a business combination agreement (the "Definitive Agreement") with Tidal pursuant to which Tidal will acquire all of the issued and outstanding shares of the Company (the "Proposed Transaction"). Under the terms of the Definitive Agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of Tidal, for each one (1) MichiCann common share, subject to adjustment in certain circumstances as set out in the Definitive Agreement (the "Exchange Ratio"). Upon completion of the

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Proposed Transaction, and assuming no other issuances of securities by MichiCann, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company (the "Resulting Issuer"), respectively, on a fully diluted basis. All outstanding options and warrants to purchase MichiCann common shares will be replaced with options and warrants to purchase common shares of the Resulting Issuer in accordance with the Exchange Ratio.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly owned subsidiary of Tidal will amalgamate with the Company (the "Amalgamation"). The Proposed Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the "CSE") and as a result Tidal will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent.

Immediately prior to the completion of the Amalgamation, Tidal will (i) complete a share consolidation on an 8:1 basis (the "Consolidation"), (ii) the Company will change its name to "Red White & Bloom Inc." or such other name (the "Name Change").

Pursuant to the terms of the Definitive Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the board appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the common share of the Resulting Issuer, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature. Subsequent to the year ended December 31, 2019, the Company amended the Definitive Agreement (Note 18).

Kings Garden Inc.

On July 25, 2019, the Company entered a LOI with Kings Garden Inc. ("Kings Garden") pursuant to which the Company will acquire all of the issued and outstanding shares of Kings Garden. Under the terms of the LOI, all of the issued and outstanding shares of Kings Garden will be exchanged for the following consideration:

- a. USD \$30,000,000, net of a tax gross-up (not to exceed USD \$48,600,000 total) and payment of brokerage fees expected to be approximately USD \$6,000,000, payable in cash and equity on the same proportionate ratio as the total consideration for the acquisition of Kings Garden;
- b. USD \$255,000,000 in MichiCann shares to the Kings Garden shareholders. If the acquisition of Kings Garden is not completed by October 30, 2019, except due to delays caused by Kings Garden shareholders or regulatory agencies, the amount increases to USD \$280,500,000 in MichiCann Shares;
- c. USD \$12,500,000 invested in Kings Garden to fund capital expenditures and other growth in the form of installments of USD \$6,250,000 at the closing of the acquisition of Kings Garden, and the balance on a mutually approved schedule.

Pursuant to the terms of the LOI, the closing of the acquisition of Kings Garden is subject to a number of conditions, including but not limited to (i) the completion of due diligence, (ii) entering into of a definitive agreement by both parties, (iii) approval by the board of directors, (iv) approval by the shareholders of the Company and Kings Garden, (v) approval by the CSE, (vi) the adoption of an equity incentive pool for employees of Kings Garden by the Company, (vii) all outstanding options of Kings Garden will be exchanged for replacement options of MichiCann at an exchange ratio based on the equity valuation of MichiCann, and (viii) other closing conditions customary for transactions of this nature.

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As of December 31, 2019, \$1,853,059 has been advanced to Kings Garden under the terms of this LOI and is recorded as a deposit in the consolidated statements of financial position.

18. Subsequent Events

Illinois Facility and Mid-American Growers, Inc.

On October 9, 2019, the Company entered into an agreement and plan of merger (the "MAG Merger Agreement") with MAG, RWB Illinois, Inc. and Arthur VanWingerden and Ken VanWingerden (collectively the "MAG Sellers") pursuant to which the Company will acquire all of the issued and outstanding shares of MAG. MAG has a facility for hemp production on 124 acres of real property commonly known as 14240 Greenhouse Avenue, Granville, Illinois (the "MAG owned property"). The MAG Merger Agreement was amended on November 1, 2019 and January 9, 2020. The merger was completed on January 10, 2020 ("MAG Acquisition").

Pursuant to the MAG Merger Agreement, on closing of the MAG Acquisition, the Company paid to the MAG Sellers USD \$7,100,000 in cash and issued to the MAG Sellers a non-transferable, fully paid right to receive in the aggregate 35,637,800 common shares of Tidal after the completion of the three-cornered amalgamation with the Company and 2690229 Ontario Inc. ("Resulting Issuer Shares") (assuming completion of the Proposed Transaction prior to June 1, 2020). If the Proposed Transaction is not completed prior to June 1, 2020, MichiCann shall deliver to the MAG Sellers an additional aggregate cash payment equal to USD \$5,000,000 and 17,133,600 MichiCann common shares.

In addition, so long as the MAG Sellers have used commercially reasonable efforts to assist MichiCann and MAG in achieving regulatory approval of a commercial cultivation center license to MAG for the Illinois Facility described below (the "Milestone Event") (i) MichiCann shall issue to the MAG Sellers an additional 5,491,200 Resulting Issuer Shares (assuming completion of the Proposed Transaction prior to the Milestone Event) based on a value of USD \$10,000,000 and (ii) only if the Milestone Event is achieved during calendar 2020, MichiCann shall pay to the MAG Sellers in the aggregate an additional USD \$5,000,000 in cash. If the Proposed Transaction is not completed at the time of the Milestone Event, MichiCann shall issue to the MAG Sellers an aggregate 2,640,000 additional MichiCann common shares.

Concurrent with the closing of the MAG Acquisition, MichiCann's wholly owned subsidiary, RWB Illinois, Inc. acquired an additional 142 acres of land located in Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles (together with the MAG owned property, the "Illinois Facility") for USD \$2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB, VW Properties LLC, as seller, and each of the MAG Sellers.

Tidal Amendment

On March 12, 2020, the Company entered into an amended and restated business combination agreement (the "Amended Agreement") with Tidal (note 17) pursuant to which Tidal will acquire all of the issued and outstanding shares of the Company on a 2:1 basis, subject to adjustment in certain circumstances (the "Amended Exchange Ratio"). The terms of the Amended Agreement provide that the share consideration will now be comprised of one common share (the "Common Shares") and one series 2 convertible preferred share (the "Series 2 Shares") of the Resulting Issuer. The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of common shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the "Dividends"), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase common shares and Series 2 Shares in accordance with the Amended Exchange Ratio.

The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, Tidal will (i) complete a share consolidation on a 16:1 basis (the "Amended

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Consolidation”), (ii) change its name to “Red White & Bloom Brands Inc.” and (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of Tidal and three (3) nominees of MichiCann (the “Board Appointments”).

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Amended Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the Common Shares, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature.

Tidal Business Combination

On April 28 2020, the Company announced the closing of the Amalgamation with Tidal pursuant to the terms of the Amended Agreement dated March 12, 2020.

The Amalgamation involved the acquisition of 100% of the Company’s issued and outstanding shares on a 2:1 basis. Due to the terms of the Exchange Ratio the previous shareholders of the Company acquired a controlling interest in Tidal and as such the Amalgamation has been accounted for as a reverse takeover transaction with the Company being the resulting issuer for financial reporting purposes. Upon completion of the Amalgamation, Tidal changed its name to Red, White & Bloom Brands Inc.

The assets and liabilities of Tidal cannot be disclosed at this time because the Company is still in the process of completing the closing balance sheet and the valuation of assets and liabilities acquired.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Appendix H
Management Discussion & Analysis of the MichiCann Medical Inc. for the year ended
December 31, 2019

Management's Discussion and Analysis

MichiCann Medical Inc.

For the Year Ended December 31, 2019

MichiCann Medical Inc.

Management's Discussion and Analysis

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following management discussion and analysis ("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 certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or 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" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the 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 statements. The Company provides no assurance that forward-looking statements 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 forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company's expansion plans; and
- its expectations regarding production capacity and production yields

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the yield from marihuana growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks.

For further information on the Company reference should be made to the Company's public filings which are available on SEDAR.

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Management's Discussion and Analysis
For the Year Ended December 31, 2019

INTRODUCTION

The following MD&A of MichiCann Medical Inc. (the "Company" or "MichiCann") should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended December 31, 2019 and 2018, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this MD&A. The consolidated financial statements and this MD&A have been approved by its Board of Directors. This MD&A is dated April 29, 2020.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

DESCRIPTION OF BUSINESS AND GOING CONCERN

MichiCann is a private investment company incorporated under the laws of Ontario on December 5, 2017. The Company's head office is located at 8820 Jane Street, Concord, ON, L4K 2M9 Canada.

As at December 31, 2019, the Company's working capital deficiency was \$16,071,433 (2018 – working capital of \$34,775,749) and has accumulated losses of \$14,667,625 (2018 - \$2,163,725) since inception.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption were not appropriate, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

OVERVIEW

MichiCann, operating as Red White & Bloom is an investment company with a focus on the United States cannabis industry. MichiCann's current investments are primarily in the investment in PharmaCo Inc. ("PharmaCo") which include the Debenture and its rights under the Put/Call Option Agreement (both described below) and the acquisition of Mid-American Growers Inc. ("MAG"), which closed after year end and is further described in our Subsequent Events.

MichiCann holds 8% senior secured convertible debenture (the "Debenture") and a put/call option agreement (the "Put/Call Option") to acquire all the issued and outstanding shares of its Michigan based investee PharmaCo, a private company incorporated under the laws of the State of Michigan. The Put/Call Option is subject to MichiCann completing the licensing requirements to operate in the State of Michigan. The Debenture is secured by all real and personal property and interests in the real and personal property of PharmaCo, whether now owned or subsequently acquired. The Debenture has a maturity date of January 4, 2023 unless the Debenture becomes due earlier.

PharmaCo was granted a Step 1 prequalification by the Medical Marijuana Licensing Board of the State of Michigan in October of 2018, and has been awarded multiple municipal approvals for grower permits

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Management's Discussion and Analysis
For the Year Ended December 31, 2019

(cultivation), manufacturing (including extraction and derivative manufacturing) and provisioning centers (dispensaries).

Since its prequalification was issued in October 2018, PharmaCo expanded its operations through the acquisition of multiple assets that cover cultivation, processing/manufacturing and provisioning centers throughout the state of Michigan.

PharmaCo has purchased three indoor cultivation facilities with a cumulative 110,000 square feet and 10 acres of outdoor cultivation. They control 2 locations for processing and currently operate 10 provisioning centers (dispensaries) as well as control an additional 8 dispensaries that have yet to be opened.

Plans are underway to roll out unified corporate branding to allow for even greater efficiency and scaling outside Michigan.

Subsequent to year end, MichiCann closed the acquisition of MAG. MAG owns and operates a 3.6 million square foot facility in Granville, Illinois and holds both a hemp grower and hemp processing license with the state of Illinois.

Initial hemp crops are in the facility and the company intends to grow, process and sell various hemp and CBD products through this facility.

Lastly, MichiCann has a strategy of expanding to a limited number of additional states as the opportunity presents itself with the intent of only entering markets that allow for the operation at scale to try and maximize operational efficiencies generally only available to those businesses that operate at scale.

PROPOSED TRANSACTION

Tidal Royalty Corp.

On May 8, 2019, the Company executed a business combination agreement (the "Definitive Agreement") with Tidal Royalty Corp. ("Tidal") pursuant to which Tidal will acquire all of the issued and outstanding shares of the Company (the "Proposed Transaction"). Under the terms of the Definitive Agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2.08 common shares of Tidal, for each one (1) MichiCann common share, subject to adjustment in certain circumstances as set out in the Definitive Agreement (the "Exchange Ratio"). Upon completion of the Proposed Transaction, and assuming no other issuances of securities by MichiCann, existing MichiCann and Tidal shareholders will own approximately 80% and 20% of the resulting company (the "Resulting Issuer"), respectively, on a fully diluted basis. All outstanding options and warrants to purchase MichiCann common shares will be replaced with options and warrants to purchase common shares of the Resulting Issuer in accordance with the Exchange Ratio.

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly owned subsidiary of Tidal will amalgamate with the Company (the "Amalgamation"). The Proposed Transaction will constitute a "Fundamental Change" of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the "CSE") and as a result Tidal will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent.

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Immediately prior to the completion of the Amalgamation, Tidal will (i) complete a share consolidation on an 8:1 basis (the "Consolidation"), (ii) the Company will change its name to "Red White & Bloom Inc." or such other name (the "Name Change").

Pursuant to the terms of the Definitive Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the board appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the common share of the Resulting Issuer, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (vi) other closing conditions customary for transactions of this nature. Subsequent to the year ended December 31, 2019, the Company amended the Definitive Agreement.

SELECTED ANNUAL AND QUARTERLY FINANCIAL INFORMATION**Selected Annual Information**

The following selected financial information is derived from the audited consolidated financial statements of the Company:

	Periods Ended December 31, (audited)		
	2019	2018	2017
Total revenues	\$ -	\$ -	\$ -
Interest expense	3,540,353	-	-
Professional fees	1,952,329	53,522	-
Consulting fees	919,839	325,000	-
Salaries and wages	568,167	-	-
Net loss and comprehensive loss	12,513,900	2,131,039	32,686
Net loss per share – Basic & fully diluted	0.16	0.06	32,686
Totals assets	107,979,469	34,937,686	624,638
Total liabilities	55,542,045	161,937	586,373
Cash dividends declared per share	Nil	Nil	Nil

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For the Year Ended December 31, 2019**Selected Quarterly Information**

	Quarters ended			
	Dec 31, 19	Sep 30, 19	Jun 30, 19	Mar 31, 19
Total revenues	\$ -	\$ -	\$ -	\$ -
Interest expense	1,802,780	1,297,420	440,153	-
Professional fees	784,152	195,050	658,149	314,978
Consulting fees	391,632	256,518	271,689	-
Salaries and wages	199,653	158,817	162,843	46,854
Net loss and comprehensive loss	5,043,701	950,351	5,177,575	1,342,273
Net loss per share – Basic & fully diluted	0.07	0.03	0.06	0.02
Total assets	108,082,499	101,783,707	92,791,133	60,402,369
Total liabilities	55,312,647	54,478,582	51,900,857	15,301,797
Cash dividends declared per share	Nil	Nil	Nil	Nil

RESULTS OF OPERATIONS**For the year ended December 31, 2019 compared to the year ended December 31, 2018.**

The Company does not currently generate revenue or operating cash flow and relies on external financings to generate capital. As a result, the Company has continued to incur losses since its inception including for the years ended December 31, 2019 and 2018.

The Company's ability to continue operations is dependent on management's ability to secure financing. Management is actively pursuing such additional sources of financing, and there can be no assurance it will be able to secure additional financing required for its operations. Accordingly, these factors indicate material uncertainties that may cause significant doubt as to the Company's ability to continue as a going concern. The Company is considering various financing options to fund its operations.

During the year ended December 31, 2019, the Company incurred a net loss and comprehensive loss of \$12,513,900 (2018 - \$2,131,039). The increase in net loss and comprehensive loss of \$10,382,861 was mainly attributable to the net effect of:

- Increase of \$2,158,536 in share-based compensation, from \$1,637,559 in 2018 to \$3,796,095 in 2019. The expense is related to stock options issued to executives, consultants, officers and employees of the Company.
- Increase of \$3,540,353 in interest expense, from \$Nil in 2018 to \$3,540,353 in 2019. The expense is related to interest on the credit facility.
- Increase of \$2,361,459 in commissions, from \$Nil in 2018 to \$2,361,459 in 2019. The expense is related to the bridge financing transaction which was closed on June 4, 2019.
- Increase of \$1,898,807 in professional fees, from \$53,522 in 2018 to \$1,952,329 in 2019. The increase in professional fees resulting from a significant increase in legal and other professional work related to the amalgamation agreement, negotiations and the reverse takeover transactions.
- Increase of \$594,839 in consulting fees, from \$325,000 in 2018 to \$919,839 in 2019. The increase was to support management in its effort to build infrastructure necessary for the Company's growth.

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- Increase of \$880,491 in marketing, from \$32,921 in 2018 to \$913,412 in 2019. The increase was to support increased marketing and investor relations activities.
- Increase of \$568,167 in salaries and wages, from \$Nil in 2018 to \$568,167 in 2019. The increase was to support management in its effort to build infrastructure necessary for the Company's growth.
- Increase of \$71,370 in general and administration, from \$7,865 in 2018 to \$79,235 in 2019.
- Increase of \$1,898 in depreciation, from \$Nil in 2018 to \$1,898 in 2019.
- Increase of \$1,411,268 in foreign exchange loss, from foreign exchange gain of \$25,465 in 2018 to foreign exchange loss of \$1,385,803 in 2019.
- Decrease of \$139,938 in accretion expense, from \$139,938 in 2018 to \$Nil in 2019.
- Increase of \$3,960,708 in interest income, from \$Nil in 2018 to \$3,960,708 in 2019. The income is related to accrued interest on the Debenture.
- Increase of \$1,111,637 in income from management fees, from \$Nil in 2018 to \$1,111,637 in 2019. The income is related to management fee charged to PharmaCo.
- Increase of \$2,340,164 in accretion of loans receivable, from \$Nil in 2018 to \$2,340,164 in 2019. The income is related to accretion on the Debenture.
- Increase of \$4,407,819 in loss on revaluation of call option, from \$Nil in 2018 to \$4,407,819 in 2019. The loss is related to revaluation of Put/Call Option.
- Decrease of \$40,301 in deferred income tax recovery, from \$40,301 in 2018 to \$Nil in 2019.

The increase in overall expenses during the year ended December 31, 2019 is in line with management expectation. To date, the Company has not commenced commercial operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a history of operating losses and of negative cash flow from operations. The Company will remain reliant on capital markets for future funding to meet its ongoing obligations.

The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and there can be no assurance it will be able to secure additional financing required for its operations. Accordingly, these factors indicate material uncertainties that may cause significant doubt as to the Company's ability to continue as a going concern.

As at December 31, 2019, the Company had working capital deficiency of \$16,071,433 (2018 - working capital of \$34,775,749), consisting of cash in the amount of \$1,378,687 (2018 - \$24,377,286), prepaid expenses of \$124,140 (2018 - \$50,000), accounts receivable of \$1,463,388 (2018 - \$Nil), current portion of loans receivable of \$36,504,397 (2018 - \$10,510,400), net of accounts payable and accrued liabilities of \$1,334,370 (2018 - \$161,937), convertible debentures of \$17,597,600 (2018 - \$Nil) and bridge financing of \$36,610,075 (2018 - \$Nil).

The Company believes that the current capital resources are not sufficient to pay overhead expenses for next twelve months and is currently seeking additional funding to fund its overhead expenses and its continuous search for other business opportunities. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

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As at December 31, 2019, the shareholders' equity of \$52,437,424 (2018 - \$34,775,749) consisted of share capital of \$61,366,160 (2018 - \$35,111,680), contributed surplus of \$5,748,889 (2018 - \$1,952,794), subscriptions receivable of \$Nil (2018 - \$125,000) and deficit of \$14,677,625 (2018 - \$2,163,725).

OUTSTANDING SHARE DATA

- a) Authorized Share Capital: unlimited common shares without par value.
- b) Issued and Outstanding as at December 31, 2019: 84,211,752 common shares (2018 – 74,222,182).

Common shares

On January 2, 2018, the Company issued 37,309,999 founder common shares for gross proceeds of \$37.

On November 21, 2018, the Company issued an aggregate of \$1,012,000 principal amount of unsecured convertible debentures (the "Unsecured Debentures") convertible into one common share of the Company at a price of \$0.50 per common share. All Unsecured Debentures were converted into an aggregate of 2,024,000 common shares of the Company on November 21, 2018.

On December 19, 2018, the Company issued 30,078,182 common shares pursuant to a non-brokered financing (first tranche) at a price of \$1.00 for aggregate gross proceeds of \$30,078,182. The Company paid share issuance costs of \$470,340 as finder fees. Subsequent to the year ended December 31, 2018, \$120,000 in subscriptions receivable was received.

On December 19, 2018, the Company completed the issuance of 4,810,000 common shares to settle certain debts at a price of \$1.00 per common share for a total of \$4,810,000. The shares were issued to settle amounts owned by PharmaCo to a third-party company.

On February 22, 2019, the Company issued 4,500,000 common shares pursuant to a non-brokered financing (second tranche) at a price of \$1.00 per common share for aggregate proceeds of \$4,500,000. The Company paid share issuance costs of \$7,286.

On February 22, 2019, the Company issued 2,240,000 common shares pursuant to a non-brokered financing at a price of \$2.50 per common share for aggregate proceeds of \$5,600,000. The Company paid share issuance costs of \$9,068.

On September 30, 2019, the Company issued 1,178,100 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$5,890,500.

On October 1, 2019, the Company issued 345,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$1,725,000.

On October 9, 2019, the Company issued 844,470 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$4,222,350.

On October 23, 2019, the Company issued 1,200,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$6,000,000.

On November 1, 2019, the Company cancelled 345,000 common shares. The original proceeds of \$1,725,000 were returned to the purchasers and reversed from common shares on the statement of changes in equity.

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On December 18, 2019, the Company issued 27,000 common shares pursuant to a non-brokered financing at a price of \$5.00 per common share for aggregate proceeds of \$135,000.

The Company paid share issuance costs of \$93,370 for non-brokered financing completed in the year ended December 31, 2019.

Warrants

During the year ended December 31, 2018, the Company issued 595,430 finders' warrants with an exercise price of \$1.00 per common share of the Company for a period of two years. No warrants were issued during the year ended December 31, 2019.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2017	-	-
Issued	595,430	\$ 1.00
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	595,430	\$ 1.00
Issued	-	-
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2019	595,430	\$ 1.00

The following warrants were outstanding at December 31, 2019:

Issue Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
December 19, 2018	December 19, 2020	\$ 1.00	595,340	595,340
			595,340	595,340

Options

On October 1, 2018, the Company granted 2,000,000 stock options to a consultant and an officer of the Company. These stock options vest 12.5% on January 1, 2019, 12.5% on April 1, 2019, 12.5% on July 1, 2019, 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020 and the remaining 12.5% on October 1, 2020. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

On October 1, 2018, the Company granted 2,500,000 stock options to consultants of the Company. These stock options vest 25% on January 1, 2019, 25% on April 1, 2019, 25% on July 1, 2019, 25% on October 1, 2019. These stock options have an exercise price of \$0.50 per share and expire on October 1, 2023.

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On January 15, 2019, the Company granted a total of 1,100,000 stock options to a consultant of the Company. 500,000 of these stock options vest on April 1, 2019. These stock options have an exercise price of \$1.00 per share and expire on January 15, 2024. The remaining 600,000 of these stock options vest on October 1, 2019. These stock options have an exercise price of \$2.50 per share and expire on January 15, 2024.

On February 1, 2019, the Company granted 400,000 stock options to a consultant of the Company. These stock options vest 12.5% on October 1, 2019, 12.5% on January 1, 2020, 12.5% on April 1, 2020, 12.5% on July 1, 2020, 12.5% on October 1, 2020, 12.5% on January 1, 2021, 12.5% on April 1, 2021 and the remaining 12.5% on July 1, 2021. These stock options have an exercise price of \$1.00 per share and expire on February 1, 2024.

On April 1, 2019, the Company granted 400,000 stock options to a consultant of the Company. These stock options vest 25% on October 1, 2019, 25% on January 1, 2020, 25% on April 1, 2020, and 25% on July 1, 2020. These stock options have an exercise price of \$1.00 per share and expire on April 1, 2024.

On April 15, 2019, the Company granted 12,500 stock options to an employee of the Company. These options vest 34% on April 15, 2020, 33% on April 15, 2021, and 33% on April 15, 2022. These stock options have an exercise price of \$1.00 and expire on April 15, 2024.

On April 29, 2019, the Company granted 500,000 stock options to a consultant of the Company. These options vest 25% on April 29, 2019, 25% on May 30, 2019, 25% on August 30, 2019, and 25% on December 30, 2019. These stock options have an exercise price of \$1.00 and expire on April 29, 2024.

On May 13, 2019, the Company granted 350,000 stock options to an executive of the Company. These stock options vest 12.5% on May 13, 2019, 12.5% on August 13, 2019, 12.5% on November 13, 2019, 12.5% on February 13, 2020, 12.5% on May 13, 2020, 12.5% on August 13, 2020, 12.5% on November 13, 2020 and the remaining 12.5% on February 13, 2021. These stock options have an exercise price of \$1.00 per share and expire on May 13, 2024.

On May 21, 2019, the Company granted 30,000 stock options to an employee of the Company. These stock options vest 12.5% on May 21, 2019, 12.5% on August 21, 2019, 12.5% on November 21, 2019, 12.5% on February 21, 2020, 12.5% on May 21, 2020, 12.5% on August 21, 2020, 12.5% on November 21, 2020 and the remaining 12.5% on February 21, 2021. These stock options have an exercise price of \$1.00 per share and expire on May 21, 2024.

On August 12, 2019 the Company granted 12,500 stock options to an employee of the Company. These options vest 34% on August 12, 2020, 33% on August 12, 2021, and 33% on August 12, 2022. These stock options have an exercise price of \$1.00 and expire on August 12, 2024.

On November 13, 2019, the Company granted 100,000 stock options to an employee of the Company. These options vest 8.3% on February 13, 2020, 8.3% on May 13, 2020, 8.3% on August 13, 2020, 8.3% on November 13, 2020, 8.3% on February 13, 2021, 8.3% on May 13, 2021, 8.3% on August 13, 2021, 8.3% on November 13, 2021, 8.3% on February 13, 2022, 8.3% on May 13, 2022, 8.3% on August 13, 2022, and 8.3% on November 13, 2022. These stock options have an exercise price of \$1.00 and expire on November 13, 2024.

On November 22, 2019, the Company granted 25,000 stock options to an employee of the Company. These options vest 8.3% on February 13, 2020, 8.3% on May 13, 2020, 8.3% on August 13, 2020, 8.3% on November 13, 2020, 8.3% on February 13, 2021, 8.3% on May 13, 2021, 8.3% on August 13, 2021, 8.3%

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on November 13, 2021, 8.3% on February 13, 2022, 8.3% on May 13, 2022, 8.3% on August 13, 2022, and 8.3% on November 13, 2022. These stock options have an exercise price of \$1.00 and expire on November 22, 2024.

The options granted during the year ended December 31, 2019 have a fair value of \$2,593,834 (2018 - \$3,739,048) estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.92%	2.42%
Expected term (in years)	5.00	5.00
Estimated dividend yield	0%	0%
Estimated volatility	100.00%	100.00%

During the year ended December 31, 2019, the Company recognized \$3,796,095 (2018 - \$1,637,559) in share-based compensation under graded vesting.

Options transactions and the number of options outstanding are summarized are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2017		\$ -
Granted	4,500,000	0.50
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2018	4,500,000	\$ 0.50
Granted	2,930,000	1.26
Exercised	-	-
Cancelled	-	-
Balance at December 31, 2019	7,430,000	\$ 0.80

The following options were outstanding and exercisable at December 31, 2019:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
October 1, 2018	October 1, 2023	\$0.50	4,500,000	3,500,000
January 15, 2019	January 15, 2024	\$1.00	500,000	500,000
January 15, 2019	January 15, 2024	\$2.50	600,000	600,000
February 1, 2019	February 1, 2024	\$1.00	400,000	50,000
April 1, 2019	April 1, 2024	\$1.00	400,000	100,000
April 15, 2019	April 15, 2024	\$1.00	12,500	-
April 29, 2019	April 29, 2024	\$1.00	500,000	500,000
May 13, 2019	May 13, 2024	\$1.00	350,000	131,250
May 21, 2019	May 21, 2024	\$1.00	30,000	11,250

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August 12, 2019	August 12, 2024	\$1.00	12,500	-
November 13, 2019	November 13, 2024	\$1.00	100,000	-
November 22, 2019	November 22, 2024	\$1.00	25,000	-
			7,430,000	5,392,500

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial assets and liabilities consist of cash, accounts receivable, loans receivable, call option, accounts payables and accrued liabilities, convertible debentures, and bridge financing.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as of December 31, 2019 and December 31, 2018 as follows:

	Fair Value Measurements Using			Balance \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
December 31, 2019				
Cash	1,378,687	-	-	1,387,687
Accounts receivable	1,463,388	-	-	1,463,388
Loans receivable	72,923,991	-	-	72,923,991
Refundable deposits	10,605,100	-	-	10,605,100
Call option	-	-	19,547,757	19,547,757
Total	86,371,166	-	19,574,757	105,918,923
Accounts payable and accrued liabilities	1,334,370	-	-	1,334,370
Convertible debentures	17,597,600	-	-	17,597,600
Bridge financing	36,610,075	-	-	36,610,075
Total	55,542,045	-	-	55,542,045
December 31, 2018				
Cash	24,377,286	-	-	24,377,286
Loans receivable	10,510,400	-	-	10,510,400
Total	34,887,686	-	-	34,887,686
Accounts payable and accrued liabilities	161,937	-	-	161,937
Total	161,937	-	-	161,937

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The fair values of other financial instruments, which include accounts payable and accrued liabilities and loans receivable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(a) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loans receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company is exposed to significant credit risk on its loans receivable. The carrying amount of financial assets represents the maximum credit exposure.

(b) Foreign Exchange Rate

The Company has cash and loans receivable denominated in US dollars and, as a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar. Therefore, exchange rate movements in the US dollar can have a significant impact on the Company's operating results due to the translation of monetary assets.

At December 31, 2019, a 5% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately \$2,586,608 (2018 - 10%, \$125,000) for the year ended December 31, 2019.

(c) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

As at December 31, 2019, the interest rate on loans receivable and convertible debentures is fixed based on the contracts in place. As such, the Company is exposed to interest rate risk to the extent of these financial assets and liabilities.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

As at December 31, 2019, the Company had a cash balance of \$1,378,687 (2018 - \$24,377,286) available to apply against short-term business requirements and current liabilities of \$55,542,045 (2018 - \$161,937). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2019

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BRIDGING FINANCE INC. CREDIT FACILITY

On June 4, 2019, Bridging Finance Inc. (the "Lender") entered into a credit agreement (the "Credit Agreement") with the Company and PharmaCo (collectively, the "Borrowers") pursuant to which the Lender established a non-revolving credit facility (the "Facility") for the Borrowers in a maximum principal amount of \$36,374,400 (the "Facility Limit"). The purpose of the Facility is so that the Borrowers can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

The obligations under the Facility are due and payable on the earlier of: (a) the termination date (being January 4, 2020); and (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Credit Agreement).

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

- a) Interest at the prime rate plus 10.55% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and
- b) A work fee equal to \$909,360 (the "Work Fee") (paid by the Company).

The obligations under the Facility are secured by general security agreements on each Borrower, mortgages on certain owned real property of PharmaCo among other security obligations.

As the funds under the Facility (net of the Work Fee, commissions and other transaction expenses of the Lender) were advanced by the Lender directly to MichiCann, MichiCann in turn advanced the funds (net of MichiCann's transaction expenses) to PharmaCo pursuant to a Promissory Note (the "Promissory Note") issued by PharmaCo to MichiCann in the principal amount of \$30,648,516 (the "Principal"). The Principal is due and payable in full on January 2, 2020 (the "Maturity Date"). PharmaCo may prepay the Principal in full in whole prior to the Maturity Date. Any amounts payable by PharmaCo or MichiCann to the Lender under the Facility will reduce the amount of PharmaCo's obligations to MichiCann on a dollar for dollar basis under the Promissory Note.

The Company paid financing fees related to the Facility, including the Work Fee, of \$2,361,459 which has been included as commission expenses for the year ended December 31, 2019. The Company also deducted a debt service reserve of \$3,323,524 from the total principal amount which serves to pay the interest on the Facility as it is incurred. During the year ended December 31, 2019, the Company incurred interest expense of \$3,540,353 on the Facility. As such, as of December 31, 2019 the debt service reserve balance is \$nil and the Company has interest payable of \$229,399 included in the bridge financing amount. During the year ended December 31, 2019, the Company paid deposit of \$133,000 for additional professional fees. The remaining balance of the deposit as at December 31, 2019 was \$72,500.

On January 10, 2020, the Facility was amended (the "Amended Facility") pursuant to an amended and restated agreement between the Lender, MichiCann (as guarantor) and PharmaCo, RWB Illinois, Inc. ("RWB") and MAG (as borrowers).

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The Amended Facility increased the Facility Limit to US \$49,750,000 in the aggregate of which US \$27,000,000 was to refinance the existing Facility and US \$22,750,000 was used to complete the MAG Acquisition and for general corporate and operating purposes.

The obligations under the Facility are due and payable on the earlier of:

- (a) the termination date (being July 10, 2021 subject to the right of the Borrowers to extend the termination date by paying a 1% fee for two additional six-month periods for a total of 30 months); and
- (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Amended Credit Agreement).

In respect of the advance made by Bridging to the Borrowers under the Facility, the Borrowers agreed to pay Bridging:

- (a) Interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and
- (b) A work fee equal to \$1,492,500 (the "Amended Work Fee") (paid by the Company)

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS**IFRS 16 Leases**

The Company adopted IFRS 16 Leases ("IFRS 16") effective January 1, 2019. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.

MichiCann Medical Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2019

-
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
 - A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
 - A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company reviewed its operations and noted no material impact on the adoption of IFRS 16.

RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the year ended December 31, 2019:

- (a) Included in accounts payable and accrued liabilities is \$377,157 (2018 - \$6,250) payable to a director of the Company. Amounts due to related parties have no stated terms of interest and/or repayment.
- (b) Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	December 31, 2019	December 31, 2018
	\$	\$
Consulting fees paid or accrued to a company controlled by the director of the Company	108,000	75,000
Salary paid to management of the company	495,632	-
Share-based compensation	655,380	280,829

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the period ended December 31, 2019 and 2018.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the period.

MichiCann Medical Inc.

Management's Discussion and Analysis
For the Year Ended December 31, 2019

OUTSTANDING SHARES DATA AS OF REPORT DATE

	April 29, 2020	December 31, 2019	December 31, 2018
Issued and outstanding common shares	132,190,811	84,211,752	74,222,182
Series I preferred shares	3,181,250	-	-
Series II preferred shares	108,726,349	-	-
Warrants outstanding	1,194,402	595,340	595,340
Stock options outstanding	9,200,539	7,430,000	4,500,000

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the consolidated financial statements, is the responsibility of Management. In the preparation of these statements estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Risks

The Investment in the common shares must be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of operations.

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

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and workload will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CEO of the financial reports.

MichiCann Medical Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2019

OUTLOOK

Although current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance they will be able to do so in the future. The financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

ADDITIONAL INFORMATION FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Operating Expenses

	For the three months ended		Year ended	Year ended
	December 31		December 31,	December 31,
	2019	2018	2019	2018
	\$	\$	\$	\$
Expenses				
Share-based compensation	635,432	1,637,559	3,796,095	1,637,559
Interest expense	1,802,780	-	3,540,353	-
Commissions	74,787	-	2,361,459	-
Professional fees	1,099,131	53,522	1,952,329	53,522
Consulting fees	391,632	213,079	919,839	325,000
Marketing	588,751	1,302	913,412	32,921
Salaries and wages	198,653	-	568,167	-
General and administration	(18,712)	7,728	79,235	7,865
Depreciation	1,898	-	1,898	-
Foreign exchange loss (gain)	1,115,129	(25,465)	1,385,803	(25,465)
Loss from operations	5,889,481	1,887,725	15,518,590	2,031,402

SUBSEQUENT EVENTSIllinois Facility and Mid-American Growers, Inc.

On October 9, 2019, the Company entered into an agreement and plan of merger (the "MAG Merger Agreement") with MAG, RWB Illinois, Inc. and Arthur VanWingerden and Ken VanWingerden (collectively the "MAG Sellers") pursuant to which the Company will acquire all of the issued and outstanding shares of MAG. MAG has a facility for Hemp production, on 124 acres of real property commonly known as 14240 Greenhouse Avenue, Granville, Illinois (the "MAG owned property"). The MAG Merger Agreement was amended on November 1, 2019 and January 9, 2020. The merger was completed on January 10, 2020 ("MAG Acquisition").

Pursuant to the MAG Merger Agreement, on closing of the MAG Acquisition, the Company paid to the MAG Sellers USD \$7,100,000 in cash and issued to the MAG Sellers a non-transferable, fully paid right to receive in the aggregate 35,637,800 common shares of Tidal after the completion of the three-cornered

MichiCann Medical Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2019

amalgamation with the Company and 2690229 Ontario Inc. ("Resulting Issuer Shares") (assuming completion of the Proposed Transaction prior to June 1, 2020). If the Proposed Transaction is not completed prior to June 1, 2020, MichiCann shall deliver to the MAG Sellers an aggregate cash payment equal to USD \$5,000,000 and 17,133,600 MichiCann common shares.

In addition, so long as the MAG Sellers have used commercially reasonable efforts to assist MichiCann and MAG in achieving regulatory approval of a commercial cultivation center license to MAG for the Illinois Facility described below (the "Milestone Event") (i) MichiCann shall issue to the MAG Sellers an additional 5,491,200 Resulting Issuer Shares (assuming completion of the Proposed Transaction prior to the Milestone Event) based on a value of USD \$10,000,000 and (ii) only if the Milestone Event is achieved during calendar 2020, MichiCann shall pay to the MAG Sellers in the aggregate an additional USD \$5,000,000 in cash. If the Proposed Transaction is not completed at the time of the Milestone Event, MichiCann shall issue to the MAG Sellers an aggregate 2,640,000 additional MichiCann common shares.

Concurrent with the closing of the MAG Acquisition, MichiCann's wholly owned subsidiary, RWB Illinois, Inc. acquired an additional 142 acres of land located in Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles (together with the MAG owned property, the "Illinois Facility") for USD \$2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB, VW Properties LLC, as seller, and each of the MAG Sellers.

Tidal Amendment

On March 12, 2020, the Company entered into an amended and restated business combination agreement (the "Amended Agreement") with Tidal pursuant to which Tidal will acquire all of the issued and outstanding shares of the Company on a 2:1 basis, subject to adjustment in certain circumstances (the "Amended Exchange Ratio"). The terms of the Amended Agreement provide that the share consideration will now be comprised of one common share (the "Common Shares") and one series 2 convertible preferred share (the "Series 2 Shares") of the Resulting Issuer. The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of common shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the "Dividends"), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase common shares and Series 2 Shares in accordance with the Amended Exchange Ratio.

The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, Tidal will (i) complete a share consolidation on a 16:1 basis (the "Amended Consolidation"), (ii) change its name to "Red White & Bloom Brands Inc." and (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of Tidal and three (3) nominees of MichiCann (the "Board Appointments").

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Amended Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the

MichiCann Medical Inc.

Management's Discussion and Analysis

For the Year Ended December 31, 2019

listing of the Common Shares, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature.

Tidal Business Combination

On April 28, 2020, the Company announced the closing of the Amalgamation with Tidal pursuant to the terms of the Amended Agreement dated March 12, 2020.

The Amalgamation involved the acquisition of 100% of the Company's issued and outstanding shares on a 2:1 basis. Due to the terms of the Exchange Ratio the previous shareholders of the Company acquired a controlling interest in Tidal and as such the Amalgamation has been accounted for as a reverse takeover transaction with the Company being the resulting issuer for financial reporting purposes. Upon completion of the Amalgamation, Tidal changed its name to Red, White & Bloom Brands Inc.

The assets and liabilities of Tidal cannot be disclosed at this time because the Company is still in the process of completing the closing balance sheet and the valuation of assets and liabilities acquired.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

OTHER INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com.

APPENDIX I

Pro Forma Consolidated Financial Statements of the Issuer as at January 31, 2020

RED WHITE & BLOOM BRANDS INC.

UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared by Management)
(Expressed in Canadian Dollars)

January 31, 2020

RED WHITE & BLOOM BRANDS INC.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

As at	Tidal Royalty Corp. January 31, 2020	Michicann Medical Inc. December 31, 2019	Notes	Pro-forma Adjustments	Pro-forma Consolidated
	\$	\$		\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	154,627	1,378,687	3a	3,542,950	24,398,264
			3c	30,257,500	
			3c	(1,492,500)	
			3d	(9,443,000)	-
Amounts receivable	98,649	1,463,388		-	1,562,037
Prepaid expenses and deposits	30,808	124,140		-	154,948
Convertible debenture receivable	17,712,200	-	3d	(17,712,200)	-
Loan receivable	-	36,504,397		-	36,504,397
	17,996,284	39,470,612		5,152,750	62,619,646
Equipment	-	10,847		-	10,847
Deposits	330,825	12,530,659		-	12,861,484
Promissory note receivable	4,119,938	-		-	4,119,938
Right-of-use assets	178,912	-		-	178,912
Loan receivable	-	36,419,594		-	36,419,594
Call option	-	19,547,757		-	19,547,757
Investment in MAG	-	-	3c	95,110,985	95,110,985
Investments in equity securities	1,778,376	-		-	1,778,376
TOTAL ASSETS	24,404,335	107,979,469		100,263,735	232,647,539
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	348,224	1,334,370		-	1,682,594
Convertible debenture payable	-	17,597,600	3d	(17,597,600)	-
Lease liabilities	185,548	-		-	185,548
Loan payable	50,164	-		-	50,164
Due to related parties	17,566	-		-	17,566
TOTAL CURRENT LIABILITIES	601,502	18,931,970		(17,597,600)	1,935,872
NON-CURRENT LIABILITIES					
Bridge financing	-	36,610,075	3c	30,257,500	66,867,575
TOTAL LIABILITIES	601,502	55,542,045		12,659,900	68,803,447
EQUITY					
Convertible preferred shares	2,388,941	-	3b	(2,388,941)	-
Common shares	49,124,043	61,366,160	3a	3,542,950	203,309,257
			3b	(49,124,043)	-
			3b	58,661,155	-
			3b	36,905,000	-
			3c	42,833,993	-
Series II Preferred Shares	-	-	3c	42,833,993	42,833,993
Accumulated other comprehensive loss	16,949	-	3b	(16,949)	-
Reserves	11,958,030	5,748,889	3b	(11,958,030)	5,748,889
Accumulated deficit	(39,685,130)	(14,677,625)	3b	39,685,130	(88,048,047)
			3b	(34,858,322)	-
			3b	(36,905,000)	-
			3c	(1,492,500)	-
			3b	(114,600)	-
	23,802,833	52,437,424		87,603,835	163,844,092
TOTAL LIABILITIES AND EQUITY	24,404,335	107,979,469		70,006,235	232,647,539

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

1. DEFINITIVE AGREEMENT

On February 12, 2019, Tidal Royalty Corp. (the “Company”) entered into a binding letter of intent (the “LOI”) with MichiCann Medical Inc. (operating as Red White & Bloom) (“RWB” or “MichiCann”) with respect to the acquisition of all of the issued outstanding shares of MichiCann (the “Proposed Transaction”). After completion of the Proposed Transaction, the shareholders of Tidal will hold approximately 20% of the issued common shares of the resulting issuer, and the former shareholders of MichiCann will hold approximately 80% of the resulting issuer shares, on a fully-diluted basis (the “Resulting Issuer”).

On March 12, 2020, the Company and MichiCann entered into an amended and restated business combination agreement (the “Amended Agreement”) pursuant to which the Company will acquire all of the issued and outstanding shares of MichiCann (the “Proposed Transaction”) on a 2:1 basis, subject to adjustment in certain circumstances (the “Exchange Ratio”). The terms of the Amended Agreement provide that the share consideration will now be comprised of one (1) common share (the “Common Shares”) and one (1) series 2 convertible preferred share (the “Series 2 Shares”) of the resulting company (the “Resulting Issuer”). The Series 2 Shares to be issued to MichiCann shareholders (i) will carry voting rights (entitling a holder to one vote per Series 2 Share held, voting together with the holders of Common Shares), (ii) will be entitled to 5% annual dividends payable in additional Series 2 Shares (the “Dividends”), (iii) will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the seven (7) month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two (2) year anniversary of their issuance date. All outstanding options and warrants to purchase MichiCann common shares will be exchanged with options and warrants to purchase Common Shares and Series 2 Shares in accordance with the Exchange Ratio.

The Amended Agreement contemplates the following changes: Immediately prior to the completion of the Amalgamation, the Company will (i) complete a share consolidation on a 16:1 basis (the “Consolidation”), (ii) change its name to “Red White & Bloom Brands Inc.” (the “Name Change”) and (iii) reconstitute its board of directors such that the board of the Resulting Issuer will consist of five (5) directors, which will include two (2) members of the current board of the Company and three (3) nominees of MichiCann (the “Board Appointments”).

The Proposed Transaction will be completed by way of a three-cornered amalgamation under the Business Corporations Act (Ontario), whereby 2690229 Ontario Inc., a wholly-owned subsidiary of the Company (“Subco”) will amalgamate with MichiCann (the “Amalgamation”). The Proposed Transaction will constitute a “Fundamental Change” of the Company, as such term is defined in the policies of the Canadian Securities Exchange (the “CSE”) and as a result the Company will be required to obtain the approval of the holders of its outstanding common shares, by simple majority, which it intends to obtain by way of written consent.

Immediately prior to the completion of the Amalgamation, the Company will (i) complete a share consolidation on a 16:1 basis (the “Consolidation”), (ii) change its name to “Red White & Bloom Inc.” or such other name as may be approved by the board of directors of the Company and accepted by the relevant regulatory authorities (the “Name Change”) and (iii) reconstitute its board of directors (the “Board”) such that the board of the Resulting Issuer will consist of six (6) directors, which will include two (2) members of the current board of the Company and four (4) nominees of MichiCann (the “Board Appointments”). On completion of the Proposed Transaction, the board of the Resulting Issuer will also appoint a nominee of Tidal to act in the capacity as a board observer, and such board observer will be nominated and recommended for election as a director at the next annual shareholders meeting of the Resulting Issuer.

On April 24, 2020, the Company closed the Amended and Restated Business Combination Agreement with Tidal Subco and MichiCann, consolidated its common shares of a 16:1 basis and changed its name to Red White & Bloom Brands Inc.

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

1. DEFINITIVE AGREEMENT (continued)

Pursuant to the terms of the Amended Agreement, the closing of the Proposed Transaction is subject to a number of conditions, including but not limited to (i) obtaining the requisite shareholder approvals, (ii) the completion of the Consolidation, the Name Change and the Board Appointments, (iii) obtaining requisite regulatory approvals including the approval of the CSE for the Proposed Transaction and the listing of the Common Shares, (iv) obtaining escrow agreements from the directors and officers of each of MichiCann and Tidal, and certain shareholders of each of MichiCann, its Michigan based investee and Tidal pursuant to which the escrowed shares would be subject to restrictions on transfer and other dealings and released in three equal tranches over a period of 18 months following the closing of the Proposed Transaction, and (v) other closing conditions customary for transactions of this nature.

2. BASIS OF PRESENTATION

The unaudited pro-forma consolidated statement of financial position of the Company gives effect to the Transaction as described above. In substance, the Transaction involves MichiCann shareholders obtaining control of the Company and accordingly the Transaction will be considered a reverse takeover transaction (“RTO”) with MichiCann acquiring the Company. As the Company does not meet the definition of a business under International Financial Reporting Standards (“IFRS”), the consolidated financial statements of the combined entity will represent the continuation of MichiCann. The Transaction has been accounted for as a share-based payment, in accordance with IFRS 2, by which MichiCann acquired the net assets and the Company’s status as a Reporting Issuer. Accordingly, the accompanying unaudited pro-forma consolidated statement of financial position of the Company has been prepared by management using the same accounting policies. There are no differing accounting policies between the Company and MichiCann.

The unaudited pro-forma consolidated statement of financial position is not necessarily indicative of the Company’s consolidated financial position on closing of the Transaction had the Transaction closed on the dates assumed herein.

The unaudited pro-forma consolidated statement of financial position has been compiled from information derived from and should be read in conjunction with the following information, prepared in accordance with IFRS:

- the Company’s interim financial statements as at and for the period ended January 31, 2020;
- MichiCann’s audited financial statements as at and for the year ended December 31, 2019; and
- the additional information set out in Note 3 of this unaudited pro-forma consolidated statement of financial position that are directly attributable to the Transaction or factually supportable.

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro-forma consolidated statement of financial position gives effect to the completion of the Transaction incorporating the assumptions within Note 1, as if it had occurred on the date presented, January 31, 2020.

- a.) Subsequent to January 31, 2020, the Company issued 70,858,999 common shares pursuant to the exercise of warrants at \$0.05 per warrant.
- b.) As consideration for 100% of the outstanding common shares of MichiCann, the Company will issue 84,211,770 common shares in exchange for all outstanding common shares of MichiCann. As a result of the share exchange, the former shareholders of MichiCann will acquire control of the Company and the Transaction will be treated as an RTO. The Transaction will be accounted for as an acquisition of the net assets and the Company's status as a Reporting Issuer by MichiCann via a share-based payment.

The excess of the estimated fair value of the equity instruments that MichiCann is deemed to have issued to acquire the Company, plus the transaction costs (both the "Consideration) and the estimated fair value of the Company's net assets, will be recorded as a charge to the accumulated deficit as a cost of obtaining the Company's status as a Reporting Issuer.

For the purposes of the pro-forma consolidated statement of financial position, management has estimated the fair value of the equity instruments deemed to be issued in regard to the Company. The fair value of the 23,464,462 common shares amounted to \$46,928,958, based on a deemed price of \$2.50. The price was calculated based on MichiCann's most recent financing of \$5.00 adjusted for the 2 to 1 share split.

The Finder's fee of 14,762,000 Resulting Issuer shares is calculated on the deemed price of \$2.50.

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)

The allocation of the Consideration for the purposes of the pro-forma consolidated statement of financial position is as follows:

Net assets acquired:

Cash and cash equivalents	154,627
Amounts receivable	98,649
Convertible debenture receivable	17,712,200
Prepaid expenses and deposits	30,808
Promissory note receivable	4,119,938
Deposits	330,825
Right-of-use Assets	178,912
Investments	1,778,376
Accounts payable and accrued liabilities	(348,224)
Lease liabilities	(185,548)
Loan payable	(50,164)
Due to related parties	(17,566)
Net assets acquired	23,802,833
Consideration	\$ 58,661,155
Cost of the Company's status as a Reporting Issuer charged to deficit	\$34,858,322

- c.) On June 4, 2019, Bridging entered into a credit agreement (the “**Credit Agreement**”) with MichiCann and PharmaCo (collectively, the “**Borrowers**”) pursuant to which Bridging established a non-revolving credit facility (the “**Facility**”) for the Borrowers in a maximum principal amount of CAD \$36,374,400 (the “**Facility Limit**”). The purpose of the Facility is so that the PharmaCo can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

On January 10, 2020, the Facility was amended (the “**Amended Facility**”) pursuant to an amended and restated credit agreement between Bridging, MichiCann (as guarantor) and PharmaCo, RWB Illinois and MAG (as borrowers) (the “**Amended Credit Agreement**”).

The Amended Facility increased the Facility Limit to US \$49,750,000 in the aggregate of which US \$27,000,000 was to refinance the existing Facility and US \$22,750,000 (\$30,257,500 CAD) was used to complete the MAG Acquisition and for general corporate and operating purposes.

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

3. UNAUDITED PRO-FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)

- d.) On October 9, 2019, MichiCann entered into an agreement and plan of merger (the “**MAG Merger Agreement**”) with Mid-American Growers, Inc., RWB Acquisition Sub, Inc. and Arthur VanWingerden and Ken VanWingerden (collectively, the “**MAG Sellers**”) pursuant to which MichiCann will acquire all the issued and outstanding shares of Mid-American Growers, Inc. This Merger Agreement was amended on November 1, 2019 and January 9, 2020. MAG owned 124 acres of real property commonly known as 14240 Greenhouse Avenue, Granville Illinois (the “**MAG Owned Property**”).

Concurrent with the closing of the MAG Acquisition, MichiCann’s wholly owned subsidiary, RWB Illinois acquired additional 106 acres of land located at 14240 Greenhouse Avenue, Granville, Illinois for US\$2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB Illinois, VW Properties LLC, as seller, and each of the MAG Sellers (the “**Real Estate Purchase Agreement**”).

Pursuant to the MAG Merger Agreement, on closing of the MAG Acquisition, MichiCann paid to the MAG Sellers US \$7,100,000 (\$9,443,000 CAD) in cash and issued to the Sellers a non-transferable, fully paid right to receive in the aggregate 17,133,597 Resulting Issuer Shares and 17,133,579 Resulting Issuer Series 2 Preferred Shares (assuming completion of the Transaction prior to June 1, 2020).

- e.) On February 25, 2019, pursuant to the terms of the Proposed Transaction, the Company advanced \$15,000,000 to MichiCann pursuant to a senior secured convertible debenture (the “MichiCann Debenture”). The MichiCann Debenture is non-interest bearing, other than in the event of default by MichiCann and matures on August 25, 2019 (the “Maturity Date”). The MichiCann Debenture is secured by way of first ranking security against the personal property of MichiCann. If the Proposed Transaction is not completed by the Maturity Date or MichiCann’s fails to comply with the terms of the MichiCann Debenture and MichiCann pursues an alternative go public transaction or a change of control transaction (an “Alternate Liquidity Transaction”), the Company may elect to convert, in whole or in part, the outstanding amount of the MichiCann Debenture into common shares of MichiCann at a price per MichiCann share that is the lesser of i) \$2.50 per MichiCann Share and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction. If the Proposed Transaction is not complete by October 25, 2019, MichiCann may elect to prepay the outstanding amount under the MichiCann Debenture, with a prepayment penalty of 10%.

On August 28, 2019, the Issuer advanced MichiCann an additional US \$2,000,000 to fund MichiCann working capital pursuant to the First Amending Agreement.

For the purposes of these pro-forma consolidated financial statements, the amounts due to and from have been eliminated on consolidation.

RED WHITE & BLOOM BRANDS INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at January 31, 2020

(Unaudited – Expressed in Canadian Dollars)

4. UNAUDITED PRO-FORMA SHAREHOLDERS' EQUITY

As a result of the Transaction and the pro-forma assumptions and adjustments, the Shareholders' Equity of the combined entity as at January 31, 2020 is comprised of the following:

	Number of post split common shares	Amount
		\$
Existing MichiCann Shareholders	84,211,770	64,909,110
Advisory fee on the Transaction	7,381,000	36,905,000
Common shares deemed to be issued to Tidal shareholders	23,464,462	58,661,155
Shares reserved for MAG asset acquisition	17,133,579	42,833,993
Pro forma balance at January 31, 2020	132,190,811	203,309,257

5. EFFECTIVE INCOME TAX RATE

The effective income tax rate for the resulting issuer is 27%.

APPENDIX J

**Business Combination Agreement dated May 8, 2019, Amended and Restated on
March 12, 2020**

MICHICANN MEDICAL INC.

and

TIDAL ROYALTY CORP.

and

2690229 ONTARIO INC.

AMENDED AND RESTATED BUSINESS COMBINATION AGREEMENT

MARCH 12, 2020

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AMENDED AND RESTATED BUSINESS COMBINATION AGREEMENT

THIS AGREEMENT is made as of March 12, 2020,

BETWEEN:

MICHICANN MEDICAL INC.,

a corporation incorporated under the laws in the Province of Ontario
("MichiCann")

-and-

TIDAL ROYALTY CORP.,

a corporation incorporated under the laws of the Province of British Columbia
("Tidal")

-and-

2690229 ONTARIO INC.

a corporation incorporated under the laws of the Province of Ontario
("Subco")

(each a "Party" and collectively, the "Parties")

WHEREAS Tidal is a reporting issuer listed on the Canadian Securities Exchange ("CSE");

AND WHEREAS pursuant to an amended and restated letter of intent between the Parties dated February 12, 2019 and a business combination agreement dated May 8, 2019 (as amended June 28, 2019 and July 30, 2019), MichiCann and Tidal propose to combine the business and assets of MichiCann with those of Tidal;

AND WHEREAS the Parties intend to carry out the proposed business combination by way of a statutory amalgamation under the provisions of the OBCA (as defined below) and related transaction steps;

AND WHEREAS pursuant to the business combination agreement dated May 8, 2019, MichiCann obtained shareholder approval for the amalgamation on the terms as contemplated in such agreement at a special meeting of shareholders held on May 21, 2019;

AND WHEREAS the Parties now wish to amend certain terms of the proposed business combination, which will require MichiCann to seek the requisite shareholder approval for the amalgamation as now contemplated by the terms of this Agreement;

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties, the Parties covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings, respectively:

“**Affiliate**” has the meaning ascribed thereto in the OBCA;

“**Agreement**”, “**this Agreement**”, “**herein**”, “**hereto**”, and “**hereof**” and similar expressions refer to this business combination agreement, including the schedules attached hereto, as the same may be amended or supplemented from time to time;

“**Amalco**” means the amalgamated corporation resulting and continuing from the Amalgamation;

“**Amalco Shares**” means the common shares in the share capital of Amalco;

“**Amalgamation**” means the amalgamation of MichiCann and Subco by way of a “three-cornered amalgamation” with Tidal pursuant to Section 174 of the OBCA;

“**Amalgamation Agreement**” means the agreement among MichiCann, Tidal and Subco in respect of the Amalgamation, to be substantially in the form attached as Schedule A to this Agreement;

“**Amalgamation Resolution**” means the special resolution of the MichiCann Shareholders approving the Amalgamation which is to be considered at the MichiCann Meeting, substantially in the form and content of Schedule B to this Agreement;

“**Articles of Amalgamation**” means the articles of amalgamation giving effect to the Amalgamation required under the OBCA to be filed with the Director;

“**BCBCA**” means the *Business Corporations Act* (British Columbia) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“**Bridging Credit Agreements**” means: (i) the amended and restated credit agreement dated January 10, 2020 between RWB Illinois, Inc., Mid-American Growers Inc. and PharmaCo as borrowers and MichiCann as guarantor and Bridging Finance Inc., as lender; (ii) the guarantee and indemnity agreement dated January 10, 2020 made by MichiCann in favour of Bridging Finance Inc.; (iii) the postponement and subordination agreement dated January 10, 2020 made by MichiCann in favour of Bridging Finance Inc.; (iv) the continuing security agreement dated January 10, 2020 made by RWB Illinois, Inc. in favour of Bridging Finance Inc.; (v) the collateral assignment agreement made as of January 10, 2020 made by RWB Illinois, Inc. in favour of Bridging Finance Inc.; (vi) the collateral assignment agreement made as of January 10, 2020 made by Mid-American Growers, Inc. in favour of Bridging Finance Inc.; (vii) the environmental and ADA indemnity agreement dated as of January 10, 2020 made by RWB Illinois, Inc., Mid-American Growers and MichiCann to and for the benefit of Bridging Finance Inc.; and (viii) the mortgage, assignment of leases and rents, security agreement made on January 10, 2019 by RWB Illinois, Inc., Mid-American Growers, Inc. to Bridging Finance Inc.;

“**Business Day**” means any day of the year, other than a Saturday, Sunday, legal holiday or any day on which banking institutions are closed for business in Toronto, Ontario or Vancouver, British Columbia;

“**Business Combination**” means the series of transactions, as detailed in this Agreement, through which the businesses of MichiCann and Tidal will be combined, including the Amalgamation, the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments;

“**Certificate of Amalgamation**” means the certificate in respect of the Amalgamation issued by the Director;

“**Completion Deadline**” means April 30, 2020 or such later date as may be mutually agreed between the Parties in writing;

“Confidentiality Agreement” means the mutual non-disclosure agreement dated January 22, 2019 and accompanying acknowledgement regarding confidential information dated January 23, 2019;

“CSE” means the Canadian Securities Exchange;

“Debt Instrument” has the meaning ascribed thereto in section 3.1(dd) hereof;

“Depository” means such Person as Tidal may appoint to act as depository in relation to the Business Combination, with the approval of MichiCann, acting reasonably;

“Director” means the Director appointed under Section 278 of the OBCA;

“Dissenting MichiCann Shares” means the MichiCann Shares held by Dissenting Shareholders;

“Dissenting Shareholder” means a registered holder of MichiCann Shares who, in connection with the special resolution of the MichiCann Shareholders approving the Amalgamation, has exercised the right to dissent pursuant to Section 185 of the OBCA in strict compliance with the provisions thereof and thereby becomes entitled to be paid the fair value of his, her or its MichiCann Shares and who has not withdrawn the notice of the exercise of such right as permitted by Section 185 of the OBCA;

“Documents” means, collectively, this Agreement and the Amalgamation Agreement;

“DRS Statement” means a statement evidencing a shareholding position under the Direct Registration System.

“Effective Date” means the date shown on the Certificate of Amalgamation giving effect to the Amalgamation, which date shall be in accordance with section 2.1(e) hereof;

“Effective Time” means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be agreed by MichiCann and Tidal;

“Environmental Laws” means collectively, all applicable Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes;

“Escrow Agent” means National Securities Administrators Ltd. acting as escrow agent or such other escrow agent mutually satisfactory to the parties;

“Escrow Agreement” means the escrow agreement, in a form to be agreed between MichiCann and Tidal and entered into by the Escrow Agent and the directors, officers and shareholders of MichiCann, PharmaCo and Tidal as contemplated by the MichiCann Escrow Agreements and the Tidal Escrow Agreements, pursuant to which the shares subject to the Escrow Agreements will be restricted from transfer and other dealings and released in three equal tranches as follows: 1/3 on the date that is six (6) months following the Effective Date, 1/3 on the date that is twelve (12) months following the Effective Date and 1/3 on the date that is eighteen (18) months following the Effective Date;

“Exchange Ratio” means 2 Resulting Issuer Consideration Shares (comprised of 1 Resulting Issuer Shares and 1 Resulting Issuer Series II Preferred Shares) for each one (1) MichiCann Share held; provided that the Exchange Ratio shall be adjusted in such manner as agreed to in writing by Tidal and MichiCann to account for acquisitions or other dilutive transactions of MichiCann or Tidal that may be completed prior to the Time of Closing, with the consent in writing by Tidal and MichiCann, as applicable;

“fair value” where used in relation to a MichiCann Share held by a Dissenting Shareholder, means fair value as determined by a court under Section 185 of the OBCA or as agreed between MichiCann and the Dissenting Shareholder;

“Fundamental Change Written Consent” means the written consent of the Tidal Shareholders, substantially in the form of Schedule C hereto, approving the Business Combination which constitutes a “Fundamental Change” as such term is defined in CSE Policy 8;

“Governing Documents” means, in respect of each Party, as applicable, its certificate, its notice of articles as amended, its articles of incorporation, as amended, and its by-laws, as amended;

“Government Authority” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question and, for greater certainty, includes the CSE;

“IFRS” means International Financial Reporting Standards applicable as at the relevant date;

“In-The-Money Amount” in respect of a MichiCann Option means the amount, if any, by which the aggregate fair market value at that time of the securities subject to the option exceeds the aggregate exercise price of the option;

“in writing” means written information including documents, files, software, records and books made available, delivered or produced to one Party by or on behalf of the other Party;

“Laws” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies and guidelines, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Government Authority, statutory body or self-regulatory authority, and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Government Authority (or any other Person) having jurisdiction over the aforesaid Person or Persons or its or their business, undertaking, property or securities;

“Letter of Transmittal” means a letter of transmittal to be sent, if required by the Depository’s internal procedures, to holders of MichiCann Shares or Tidal Shares, as applicable, for use in connection with the Business Combination and in order to receive the Resulting Issuer Consideration Shares or the Resulting Issuer Shares, as applicable, to which they are entitled after giving effect to the Amalgamation and the Tidal Share Consolidation;

“MAG Acquisition Agreements” means: (i) the agreement and plan of merger dated as of October 9, 2019 (as amended by that first amendment No. 1 dated as of November 1, 2019 and amendment No. 2 dated as of January 9, 2020) by and among MichiCann, RWB Acquisition Sub, Inc., Arthur VanWindergerden and Ken VanWindergerden; and (ii) the real estate purchase agreement made and entered into as of January 10, 2020 between RWB Illinois, Inc. and VW Properties, LLC and Arthur VanWindergerden and Ken VanWindergerden;

“Material Adverse Change” means any change in the financial condition, operations, assets, liabilities, or business of a Party and its Subsidiaries, considered as a whole, which is materially adverse to the business of such Party and its Subsidiaries, considered as a whole, other than a change: (a) which arises out of or in connection with a matter that has been publicly disclosed or

otherwise disclosed in writing by such Party to the other Party prior to the date of this Agreement; (b) resulting from conditions affecting the marijuana industry as a whole; or (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere;

“Material Adverse Effect” means any event, change or effect that is or would reasonably be expected to be materially adverse to the financial condition, operations, assets, liabilities, or business of a Party and its Subsidiaries, considered as a whole, provided, however, that a Material Adverse Effect shall not include an adverse effect resulting from a change: (a) which arises out of or in connection with a matter that has been publicly disclosed or otherwise disclosed in writing by such Party to the other Party prior to the date of this Agreement; (b) resulting from conditions affecting the medical marijuana industry as a whole; or (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere;

“material fact”, **“material change”**, and **“misrepresentation”** have the meanings ascribed thereto in the *Securities Act* (Ontario) as the same has been and may hereafter from time to time be modified;

“MichiCann” means MichiCann as it exists prior to the completion of the Business Combination;

“MichiCann Convertible Securities” means collectively, the MichiCann Options, the MichiCann Warrants, the 37,000,000 MichiCann Shares (subject to adjustment) issuable upon the exercise of the put rights or call rights under the PharmaCo Put/Call Option Agreement, the MichiCann Debenture and the rights to receive 17,133,600 MichiCann Shares (plus up to an additional 5,280,200 Resulting Issuer Consideration Shares) issuable pursuant to the MAG Acquisition Agreements;

“MichiCann Debenture” means a secured convertible debenture in the principal amount of \$15,000,000 effective as of February 25, 2019 (as amended by a first amending agreement entered into on August 28, 2019, and as increased by US\$2,000,000 by a second amending agreement entered into on September 11, 2019 and as increased by US\$500,000 by a third amending agreement entered into on March 12, 2020) issued by MichiCann to Tidal;

“MichiCann Escrow Agreements” means the Escrow Agreements, to be signed by each of the current officers and directors of MichiCann and certain shareholders of MichiCann and PharmaCo, such that a minimum of 50% of the aggregate number of issued and outstanding MichiCann Shares on a fully diluted basis are subject to the Escrow Agreements;

“MichiCann Financial Statements” has the meaning ascribed thereto in section 3.1(I) hereof;

“MichiCann Meeting” means a special meeting of the shareholders of MichiCann to be held in order to seek shareholder approval for the Amalgamation;

“MichiCann Options” means the stock options to purchase MichiCann Shares granted to MichiCann’s directors, officers, employees, contractors and other eligible persons pursuant to the MichiCann Stock Option Plan, of which, as of the date of this Agreement, there are 6,500,000 MichiCann Options issued and outstanding;

“MichiCann Shareholder” means a registered holder of MichiCann Shares, from time to time, and **“MichiCann Shareholders”** means all such holders;

“MichiCann Shareholder Approval” means the approval of the Amalgamation Resolution by at least two-thirds of the votes cast by the MichiCann Shareholders present in person or by proxy at the MichiCann Meeting;

“MichiCann Shares” means the common shares in the capital of MichiCann;

“MichiCann Stock Option Plan” means the stock option plan of MichiCann;

“MichiCann Subsidiaries” mean RWB Illinois, Inc. and Mid-American Growers, Inc.;

“MichiCann Warrants” means the common share purchase warrants of MichiCann, including compensation options issued to brokers in connection with a prior financing, of which, as of the date of this Agreement, there are 595,340 MichiCann Warrants issued and outstanding;

“OBCA” means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

“Party” means each of Tidal, MichiCann and Subco individually, and collectively, the **“Parties”**;

“Person” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status;

“Personnel Obligations” means any obligations or liabilities of a Party or any of its Subsidiaries to pay any amount to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors’ fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities in respect of insurance or indemnification contemplated by this Agreement or arising in the ordinary and usual course of business and, without limiting the generality of the foregoing, Personnel Obligations shall include the obligations of such Party or any of its Subsidiaries to directors, officers, employees and consultants: (a) for payments on or in connection with any change in control of such Party pursuant to any change in control agreements, policies or arrangements, including the payments specified herein; and (b) for any special incentive bonus payments and commitments;

“PharmaCo” means PharmaCo, Inc., a Michigan corporation, and its successors and permitted assigns (by amalgamation, merger or otherwise);

“PharmaCo Assets” means the: (i) at least 18 licensed provisioning centres, of which 10 are operational; (ii) 5 licensed cultivation facilities; and (iii) 2 licensed processing facilities, all in the State of Michigan, that PharmaCo owns or otherwise has executed and delivered binding purchase agreements in respect of, all as set forth in Schedule 3.3(p) to the MichiCann Debenture;

“PharmaCo Debenture” means a secured convertible debenture for a principal amount of up to US\$114,734,209 dated January 4, 2019 issued by PharmaCo to MichiCann pursuant to the PharmaCo Debenture Purchase Agreement;

“PharmaCo Debenture Purchase Agreement” means the debenture purchase agreement dated January 4, 2019 and made between PharmaCo and MichiCann, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;

“PharmaCo Put/Call Option Agreement” means the put/call option agreement dated January 4, 2019 and made between, *inter alios*, MichiCann and the shareholders of PharmaCo, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;

“Regulatory Approval” means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over any Party or the Subsidiary of any Party which is required or advisable to be obtained in order to permit the Business Combination to be effected and **“Regulatory Approvals”** means all such approvals, consents, waivers, permits, orders or exemptions;

“Reporting Jurisdictions” has the meaning ascribed thereto in section 3.2(f) hereof;

“Resulting Issuer” means Tidal upon completion of the Business Combination to be renamed **“Red White & Bloom Brands Inc.”** or such other similar name as may be accepted by the relevant regulatory authorities and approved by its board of directors;

“Resulting Issuer Board” means the board of directors of the Resulting Issuer;

“Resulting Issuer Consideration Shares” means the Resulting Issuer Shares and the Resulting Issuer Series II Preferred Shares, to be issued in accordance with the Exchange Ratio;

“Resulting Issuer Convertible Securities” means, collectively, the Resulting Issuer Options and the Resulting Issuer Warrants;

“Resulting Issuer Options” means stock options to purchase Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to be issued to the holders of the MichiCann Options in replacement for their MichiCann Options in accordance with the Exchange Ratio;

“Resulting Issuer Preferred Shares” means the Tidal Preferred Shares after giving effect to the completion of the Business Combination;

“Resulting Issuer Series II Preferred Shares” means the Tidal Series II Preferred Shares after giving effect to the completion of the Business Combination;

“Resulting Issuer Shares” means the post-consolidated Tidal Shares after giving effect to the completion of the Business Combination;

“Resulting Issuer Warrants” means purchase warrants to purchase Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to be issued to the holders of the MichiCann Warrants in replacement for their MichiCann Warrants in accordance with the Exchange Ratio;

“Securities Authorities” means the applicable securities commissions or similar securities regulatory authorities in each of the Reporting Jurisdictions, and the CSE;

“SEDAR” means the System for Electronic Document Analysis and Retrieval available at www.sedar.com;

“Subco” means 2690229 Ontario Inc., a corporation incorporated under the laws of Province of Ontario, and a Subsidiary of Tidal;

“Subco Shares” means the common shares in the capital of Subco;

“Subsidiary” has the meaning ascribed thereto in the OBCA;

“Taxes” has the meaning ascribed thereto in section 3.1(u) hereof;

“Tidal” means Tidal Royalty Corp. as it exists prior to the completion of the Business Combination;

“Tidal Advisory Fee” means the 14,762,000 Resulting Issuer Shares to be issued to certain advisors upon completion of the Business Combination of which 50% will be Resulting Issuer Shares and 50% will be Resulting Issuer Series II Preferred Shares;

“Tidal Director Appointments” means, subject to the completion of the Amalgamation, the reconstitution of the board of directors of Tidal to consist of five (5) directors, as more particularly set out in section 2.3, to be approved by the board of directors of Tidal;

“Tidal Escrow Agreements” means the Escrow Agreements to be signed by each of the current officers and directors of Tidal and holders of 10% or more of the Tidal Shares and Tidal Preferred Shares such that approximately 25% to 30% of the current issued and outstanding Tidal Shares are subject to Escrow Agreements;

“Tidal Financial Statements” has the meaning ascribed thereto in section 3.2(o) hereof;

“Tidal Finder’s Warrants” means the 9,402,365 common share purchase warrants of Tidal (pre-consolidation) issued to certain finders that remain outstanding as of the date of this Agreement;

“Tidal Name Change” means, subject to the completion of the Amalgamation, a change in the name of Tidal to “Red White & Bloom Brands Inc.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of Tidal;

“Tidal Options” means the stock options of Tidal, of which, as of the date of this Agreement, there are 28,785,766 Tidal Options (pre-consolidation) issued and outstanding;

“Tidal Preferred Shareholders” means the holders of Tidal Preferred Shares;

“Tidal Preferred Shares” means the series I preferred shares in the capital of Tidal;

“Tidal Series II Preferred Shares” means the series II preferred shares in the capital of Tidal containing the conditions set out in Schedule D hereto;

“Tidal Share Consolidation” means a consolidation of the Tidal Shares on the basis of 1 post-consolidated Tidal Share for every 16 pre-consolidated Tidal Share to be approved by the board of directors of Tidal;

“Tidal Shareholder” means a registered holder of Tidal Shares from time to time, and **“Tidal Shareholders”** means all such holders;

“Tidal Shareholder Approval” means obtaining the Fundamental Change Written Consent signed by at least 50.1% of the Tidal Shareholders as required pursuant to the rules of the CSE;

“Tidal Shares” means the common shares in the capital of Tidal;

“Tidal Subsidiaries” means Subco, RLTY USA Corp., RLTY Beverage 1 LLC, RLTY Development MA 1 LLC, RLTY Development Springfield LLC, RLTY Development Orange LLC, RLTY Development NV 1 LLC, RLTY Service LLC, RLTY Development FLA 1 LLC, RLTY Development FLA 2 LLC and RLTY Development CA 1 LLC; and

“Tidal Warrants” means the common share purchase warrants of Tidal, of which, as of the date of this Agreement, there are 9,585,000 Tidal Warrants (pre-consolidation) issued and outstanding.

1.2 Singular, Plural, etc.

Words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

1.3 Deemed Currency

In the absence of a specific designation of any currency any undescribed dollar amount herein shall be deemed to refer to Canadian dollars.

1.4 Headings, etc.

The division of this Agreement into Articles and Sections, the provision of a table of contents hereto and the insertion of the recitals and headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement to Articles and Sections refer to Articles and Sections of and to this Agreement in which such reference is made.

1.5 Date for any Action

In the event that any date on which any action is required to be taken hereunder by any of the Parties hereunder is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

1.6 Governing Law

This Agreement shall be governed by and interpreted in accordance with the Laws of the Province of Ontario and the Laws of Canada applicable therein. Each Party hereby irrevocably attorns to the jurisdiction of the Courts of the Province of Ontario sitting in and for the judicial district of Toronto in respect of all matters arising under or in relation to this Agreement.

1.7 Attornment

The Parties hereby irrevocably and unconditionally consent to and submit to the courts of the Province of Ontario for any actions, suits or proceedings arising out of or relating to this Agreement or the matters contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts) and further agree that service of any process, summons, notice or document by single registered mail to the addresses of the Parties set forth in this Agreement shall be effective service of process for any action, suit or proceeding brought against either Party in such court. The Parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the matters contemplated hereby in the courts of the Province of Ontario and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding so brought has been brought in an inconvenient forum.

1.8 Schedules

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof.

Schedule A – Amalgamation Agreement

Schedule B – Amalgamation Resolution

Schedule C – Fundamental Change Written Consent

Schedule D – Tidal Series II Preferred Share Conditions

ARTICLE 2 THE BUSINESS COMBINATION

2.1 Business Combination Steps

MichiCann and Tidal agree to effect the combination of their respective businesses and assets by way of a series of steps or transactions including the Amalgamation, the Tidal Share Consolidation,

the Tidal Name Change and the Tidal Director Appointments. Each Party hereby agrees that as soon as reasonably practicable after the date hereof or at such other time as is specifically indicated below in this section 2.1, and subject to the terms and conditions of this Agreement, it shall take the following steps indicated for it:

- (a) MichiCann shall duly call and convene the MichiCann Meeting not later than April 15, 2020 at which the MichiCann Shareholders will be asked to approve the Amalgamation Resolution, and MichiCann shall use all commercially reasonable efforts to obtain the MichiCann Shareholder Approval for the foregoing matter;
- (b) Tidal shall circulate the Fundamental Change Written Consent for the purpose of obtaining the Tidal Shareholder Approval in accordance with Tidal's articles and applicable Laws, as soon as reasonably practicable, and shall use all commercially reasonable efforts to obtain the Tidal Shareholder Approval;
- (c) Tidal shall prepare and circulate forms of directors resolutions for the purpose of obtaining the approval of the board of directors for the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments, or hold one or more directors meetings in lieu thereof, in accordance with Tidal's articles and applicable Laws, as soon as reasonably practicable;
- (d) Following the receipt of the MichiCann Shareholder Approval, the Tidal Shareholder Approval and immediately prior to the filing of the Articles of Amalgamation, Tidal shall take all necessary corporate steps to complete the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments;
- (e) MichiCann and Subco shall amalgamate by way of statutory amalgamation under Section 174 of the OBCA on the terms and subject to the conditions contained in the Documents and MichiCann and Tidal further agree that the Effective Date shall occur within five (5) Business Days following the later of: (i) the receipt of MichiCann Shareholder Approval; (ii) the receipt of Tidal Shareholder Approval; and (iii) the satisfaction or waiver of all conditions imposed herein and by the CSE or any other regulatory requirements;
- (f) the Parties shall cause the Articles of Amalgamation to be filed to effect the Amalgamation, pursuant to which:
 - (i) MichiCann and Subco will amalgamate under the provisions of the OBCA and continue as one amalgamated corporation, being Amalco;
 - (ii) subject to section 2.1(g), holders of outstanding MichiCann Shares shall receive Resulting Issuer Consideration Shares in accordance with the Exchange Ratio;
 - (iii) each outstanding Subco Share will be exchanged for Amalco Shares on the basis of one (1) Amalco Share for each Subco share;
 - (iv) as consideration for the issuance of the Resulting Issuer Consideration Shares to the holders of MichiCann Shares to effect the Amalgamation, Amalco will issue to the Resulting Issuer one (1) fully paid Amalco Share for each Resulting Issuer Consideration Share so issued;
 - (v) all of the property and assets of each of MichiCann and Subco will be the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of MichiCann and Subco; and

- (vi) Amalco will be a wholly-owned Subsidiary of Tidal;
- (g) in accordance with section 8.5, MichiCann Shares which are held by a Dissenting Shareholder shall not be converted as prescribed by section 2.1(f)(ii). However, if a Dissenting Shareholder fails to perfect or effectively withdraws its claim under Section 185 of the OBCA or forfeits its right to make a claim under Section 185 of the OBCA or if its rights as a shareholder of MichiCann are otherwise reinstated, such Dissenting Shareholder's Dissenting MichiCann Shares shall thereupon be deemed to have been converted as of the Effective Date as prescribed by section 2.1(f)(ii);
- (h) Resulting Issuer Options (subject to Section 2.4 hereof) and Resulting Issuer Warrants shall be issued to the holders of the MichiCann Options and MichiCann Warrants, respectively, in exchange and replacement for, on an equivalent basis, such MichiCann Options and MichiCann Warrants, which shall thereby be cancelled. For greater certainty, 50% of the Resulting Issuer Options and the Resulting Issuer Warrants shall be exercisable into Resulting Issuer Shares and 50% of the Resulting Issuer Options and Resulting Issuer Warrants shall be exercisable into Resulting Issuer Series II Preferred Shares;
- (i) as soon as practicable after the Effective Date, in accordance with normal commercial practice and section 2.2(f), the Resulting Issuer shall issue or cause to be issued certificates, DRS Statements or electronic positions within CDS representing the appropriate number of the Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares to the former MichiCann Shareholders and the former Tidal Shareholders, as applicable. No fractional shares will be delivered to any MichiCann Shareholder or Tidal Shareholder otherwise entitled thereto and instead the number of shares to be issued to each former MichiCann Shareholder and Tidal Shareholder will be rounded down to the nearest whole number; and
- (j) the Parties shall take any other action and do anything, including the execution of any other agreements, documents or instruments, that are necessary or useful to give effect to the Business Combination.

2.2 Implementation Covenants

- (a) **Preparation of MichiCann Meeting Documentation.** MichiCann shall duly prepare documentation required in connection with the MichiCann Meeting, and deliver such documentation to MichiCann Shareholders.
- (b) **Preparation of Tidal Documentation.** Subject to Section 8.3, Tidal shall duly prepare documentation required in connection with obtaining the Tidal Shareholder Approval, and deliver such documentation to Tidal Shareholders.
- (c) **Listing.** Tidal shall use all commercially reasonable efforts to have the issuance of all the Resulting Issuer Shares, including those issuable upon exercise of the Resulting Issuer Convertible Securities, accepted by the CSE.
- (d) **Preparation of Filings.** MichiCann and Tidal shall cooperate in the preparation of any documents and taking of all actions reasonably deemed by MichiCann or Tidal to be necessary to discharge their respective obligations under applicable Laws in connection with the Business Combination and all other matters contemplated in the Documents, and in connection therewith:

- (i) each of MichiCann and Tidal shall furnish to the other all such information concerning it and its shareholders as may be required to effect the actions described in this Article 2, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Business Combination will contain any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is furnished or to be used;
 - (ii) MichiCann and Tidal shall each promptly notify the other if at any time before the Effective Date it becomes aware that any disclosure document filed in connection with the Business Combination contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the disclosure document. In any such event, MichiCann and Tidal shall cooperate in the preparation of a supplement or amendment to such disclosure document, as required and as the case may be, and, if required, shall cause the same to be filed with the applicable Securities Authorities; and
 - (iii) each of MichiCann and Tidal shall ensure that any such disclosure document complies with all applicable Laws and, without limiting the generality of the foregoing, that the disclosure document does not contain any untrue statement of a material fact or omit to state a material fact with respect to itself required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.
- (e) **Amalgamation Agreement, etc.** The Parties hereby acknowledge that the Amalgamation Agreement shall be substantially in the form attached as Schedule “A” to this Agreement. Subco shall, subject to the terms and conditions of this Agreement and subject to and following the receipt of all Regulatory Approvals, deliver to MichiCann the duly executed Articles of Amalgamation and related documents which will be filed by MichiCann with the Director.
- (f) **Resulting Issuer Shares and Procedures.**
- (i) On the Effective Date: (i) the MichiCann Shareholders (other than Dissenting Shareholders who are ultimately entitled to be paid fair value for their Dissenting MichiCann Shares) shall be deemed to be the registered holders of the Resulting Issuer Consideration Shares to which they are entitled hereunder; (ii) the Resulting Issuer shall deposit such Resulting Issuer Consideration Shares with the Depositary and/or the electronic positions representing such Resulting Issuer Consideration Shares with CDS, as applicable, to satisfy the consideration issuable to such MichiCann Shareholders; and (iii) certificates formerly representing MichiCann Shares which are held by such MichiCann Shareholders shall cease to represent any claim upon or interest in MichiCann other than the right of the registered holder to receive the number of Resulting Issuer Consideration Shares to which it is entitled hereunder, all in accordance with the provisions of the Amalgamation Agreement.
 - (ii) As soon as reasonably practicable after the Effective Date, the Depositary will forward to, or hold for pick-up by, each former MichiCann Shareholder that

submitted to the Depositary a duly completed Letter of Transmittal, together with the certificate (if any) representing the MichiCann Shares held by such MichiCann Shareholder or a DRS Statement or such other evidence of ownership of such MichiCann Shares as is satisfactory to the Depositary, acting reasonably, (i) the certificates or DRS Statements representing the Resulting Issuer Consideration Shares to which such MichiCann Shareholder is entitled, in accordance with its Letter of Transmittal, or (ii) confirmation of a non-certificated electronic position transfer in CDS representing the Resulting Issuer Consideration Shares to which such MichiCann Shareholder is entitled, all in accordance with the provisions of the Amalgamation Agreement.

- (iii) As soon as reasonably practicable after the Effective Date, the Depositary will forward to, or hold for pick-up by, each Tidal Shareholder that submitted to the Depositary a duly completed Letter of Transmittal, together with the certificate (if any) representing the Tidal Shares held by such Tidal Shareholder or a DRS Statement or such other evidence of ownership of such Tidal Shares as is satisfactory to the Depositary, acting reasonably, (i) the certificates or DRS Statements representing the Resulting Issuer Shares to which such Tidal Shareholder is entitled, in accordance with its Letter of Transmittal, or (ii) confirmation of a non-certificated electronic position transfer in CDS representing the Resulting Issuer Shares to which such Tidal Shareholder is entitled, all to reflect the completion of the Tidal Share Consolidation.
- (iv) Tidal, as the registered holder of the Subco Shares, shall be deemed to be the registered holder of the Amalco Shares to which it is entitled hereunder and Tidal shall be entitled to receive a share certificate representing the number of Amalco Shares to which it is entitled hereunder. Until delivery of such certificate, the share certificate or certificates representing the Subco Shares held by Tidal will be evidence of Tidal's right to be registered as a shareholder of Amalco. Share certificates evidencing Subco Shares shall cease to represent any claim upon or interest in Subco other than the right of the registered holder to receive the number of Amalco Shares to which it is entitled pursuant to the terms hereof and the Amalgamation.

2.3 Board of Directors and Senior Officers

- (a) Each of the Parties hereby agrees that upon completion of the Business Combination and giving effect to the Tidal Director Appointments, and subject to approval by the CSE and any other regulatory approvals, the board of directors shall consist of five (5) members of which two (2) members shall be nominees of Tidal and of which three (3) members shall be nominees of MichiCann, and the senior officers of the Resulting Issuer shall be appointed by the reconstituted board of Tidal following the Tidal Director Appointments.
- (b) Each of the Parties hereby agree that their respective director nominees as set forth above shall satisfy the Resulting Issuer's eligibility criteria of general application, including for the avoidance of doubt, applicable Laws and stock exchange rules or policies for director candidates (the "**Director Eligibility Criteria**").
- (c) Each of the Parties also hereby acknowledge that all directors and officers of the Resulting Issuer shall be required to complete applications for licensing in all jurisdictions where the Resulting Issuer or its subsidiaries operate or intend to conduct commercial cannabis operations and that such applications will require approvals by the applicable and relevant state regulatory bodies (the "**State Licensing Approvals**").

Any director or officer who fails to obtain the requisite State Licensing Approvals shall immediately be required to tender their resignation.

2.4 MichiCann Options

Each MichiCann Option held by a MichiCann optionholder that is outstanding at the Effective Time will be exchanged for an option to purchase Resulting Issuer Shares and Resulting Issuer Series II Preferred Shares, on an equivalent basis, at an exercise price equal to the original exercise price of the MichiCann Option and each such MichiCann Option shall be cancelled. Except as otherwise provided in this Section 2.4, the term to expiry, conditions to and manner of exercising, and all other terms and conditions of a replacement Resulting Issuer Option, will be the same as the MichiCann Option for which it is exchanged (provided that 50% of the Resulting Issuer Options shall be exercisable into Resulting Issuer Shares and 50% of the Resulting Issuer Options shall be exercisable into Resulting Issuer Series II Preferred Shares), and any document or agreement previously evidencing a MichiCann Option shall thereafter evidence and be deemed to evidence such replacement Resulting Issuer Option. It is intended that subsection 7(1.4) of the Income Tax Act (Canada) apply to the exchange of MichiCann Options by MichiCann optionholders who acquired MichiCann Options by virtue of their employment. Accordingly, and notwithstanding the foregoing, if required, the exercise price of a replacement Resulting Issuer Option held by such a MichiCann optionholder will be increased such that the In-The-Money Amount of the replacement Resulting Issuer Option immediately after the exchange does not exceed the In-The-Money Amount of the MichiCann Option immediately before the exchange.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of MichiCann

MichiCann hereby represents and warrants to Tidal, and acknowledges that Tidal is relying upon such representations and warranties in connection with the entering into of this Agreement, as follows:

- (a) MichiCann (i) has been duly incorporated and is validly existing and in good standing under the laws of the Province of Ontario and is current and up-to-date with all filings required to be made by it in such jurisdiction, (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (iii) has the requisite corporate power and authority and the legal right to own and operate its properties and assets, to lease the property it operates under lease and to conduct its business as presently conducted in the jurisdictions in which it currently carries on business; and (iv) is in compliance with its constating documents and by-laws;
- (b) MichiCann has (i) no Subsidiaries other than the MichiCann Subsidiaries; and (ii) no material investments other than MichiCann's investments arising pursuant to the PharmaCo Debenture and the PharmaCo Put/Call Option Agreement. Each MichiCann Subsidiary has been duly incorporated and is validly existing under the laws of its jurisdiction of formation and is current and up-to-date with all filings required to be made by it in such jurisdiction, all of the issued shares in the capital of each of the MichiCann Subsidiaries are owned directly or indirectly by MichiCann, free and clear of any pledge, lien, security interest, charge, claim or encumbrance or in relation to inter-corporate security, and neither MichiCann nor any MichiCann Subsidiary is a party or

- has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any securities of any of the MichiCann Subsidiaries or securities convertible into or exchangeable for any securities of any of the MichiCann Subsidiaries;
- (c) MichiCann has full corporate power, capacity and authority to undertake all steps of the Business Combination contemplated in the Documents and to carry out its obligations under this Agreement;
 - (d) the authorized capital of MichiCann consists of an unlimited number of MichiCann Shares, of which, at the date hereof, there are 84,207,282 MichiCann Shares issued and outstanding; except for such MichiCann Shares and the MichiCann Convertible Securities, MichiCann has no other securities issued and outstanding at the date hereof;
 - (e) MichiCann is not a party to and has not granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any MichiCann Shares, or securities convertible into or exchangeable for MichiCann Shares other than under the terms of the MichiCann Convertible Securities;
 - (f) MichiCann is not a reporting issuer nor an associate of any reporting issuer (as defined in the *Securities Act* (Ontario) or the *Securities Act* of any other province of Canada) and the MichiCann Shares do not trade on any exchange;
 - (g) Each of MichiCann, the MichiCann Subsidiaries and, to the knowledge of MichiCann after due inquiry, PharmaCo, (i) has conducted and is conducting its business in compliance in all material respects with all applicable laws of each jurisdiction in which it carries on business (other than the Controlled Substances Act (CSA) (21 U.S.C. 811) and other federal laws in the United States that make cannabis illegal) and (ii) possesses or will possess all material approvals, consents, certificates, registrations, authorizations, permits and licenses issued by the appropriate provincial, state, municipal, federal or other regulatory agency or body necessary to carry on its business as currently conducted or contemplated to be conducted (collectively, the “**Permits**”). MichiCann, the MichiCann Subsidiaries and, to the knowledge of MichiCann after due inquiry, PharmaCo is in compliance in all material respects with the terms and conditions of all such Permits and MichiCann, the MichiCann Subsidiaries and, to the knowledge of MichiCann after due inquiry, PharmaCo has not received any notice of the material modification, revocation or cancellation of, or any intention to materially modify, revoke or cancel, or any proceeding relating to the modification, revocation or cancellation of any such Permit and no event has occurred that, with or without notice or lapse of time or both (including after the closing of the Business Combination), would reasonably be expected to result in the modification, revocation or cancellation of any such Permit;
 - (h) (i) MichiCann and each MichiCann Subsidiary owns or otherwise holds good and valid legal title to, or a valid leasehold interest in, all material assets and properties that are required to conduct the business and operations of MichiCann and each MichiCann Subsidiary as presently conducted; and (ii) to the knowledge of MichiCann after due inquiry, PharmaCo owns or otherwise has executed and delivered binding purchase agreements under which it has enforceable rights to the PharmaCo Assets, and, in either case, there are no encumbrances on any such assets or properties that would, individually or in the aggregate, materially detract from the value of any such assets (including to the knowledge of MichiCann after due inquiry, the PharmaCo Assets) or properties or materially and adversely impact the normal use and operation thereof by

MichiCann or the MichiCann Subsidiaries or, to the knowledge of MichiCann after due inquiry, PharmaCo, in the ordinary course of business;

- (i) each of the Documents has been or at the Effective Time will be, duly authorized, and with respect to this Agreement, executed and delivered by MichiCann and constitutes a valid and binding obligation of MichiCann enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in applicable laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally) and no other corporate proceeding on the part of MichiCann other than the submission of the Amalgamation to the MichiCann Shareholders is necessary to authorize this Agreement and the transactions contemplated hereby;
- (j) the entering into and the performance by MichiCann of the Business Combination contemplated in the Documents:(i) do not require any consent, approval, authorization or order of any court or governmental agency, body or Government Authority, except that which may be required under applicable corporate and securities legislation and the policies of the CSE; (ii) will not contravene any statute or regulation of any Government Authority which is binding on MichiCann where such contravention would have a Material Adverse Effect; and (iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents, by-laws or resolutions of MichiCann or any mortgage, note, indenture, contract or agreement instrument, lease or other document to which MichiCann is a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would have a Material Adverse Effect;
- (k) there is no action, suit or proceeding, at law or in equity, by any Person, nor any arbitration, administrative, regulatory or other proceeding by or before (or, to the knowledge of MichiCann, any investigation by) any Government Authority pending, or, to the knowledge of MichiCann, contemplated or threatened, against or affecting MichiCann or a MichiCann Subsidiary or any of its properties or rights and, to the knowledge of MichiCann, there is no valid basis which would reasonably be expected to result in any such action, suit, proceeding, arbitration or investigation or which would reasonably be expected to have a Material Adverse Effect on MichiCann or its assets. MichiCann is not subject to any judgment, order or decree entered in any lawsuit or proceeding;
- (l) the audited consolidated financial statements of MichiCann for the year ended December 31, 2018 and for the period from incorporation on December 5, 2017 to December 31, 2017 and the notes thereto and the unaudited consolidated financial statements of MichiCann for the nine month period ended September 30, 2019 (the “**MichiCann Financial Statements**”) have been prepared in accordance with IFRS and present fairly and correctly, in all material respects, the financial position and results of operations and cash flows of MichiCann as at such date, and do not omit to state any material fact that is required by IFRS or by applicable Laws to be stated or reflected therein or which is necessary to make the statements contained therein not misleading;
- (m) since December 31, 2018, neither MichiCann nor any MichiCann Subsidiary has entered into any contract in respect of its business or assets, other than in the ordinary course of business and other than the MAG Acquisition Agreements and pursuant to the MichiCann Debenture, the Bridging Credit Agreements and advances under the PharmaCo Debenture, and has continued to carry on its business and maintain its

assets in the ordinary course of business, with the exception of reasonable costs incurred in connection with the Business Combination, and without limitation but subject to the above exceptions, has maintained payables and other liabilities at levels consistent with past practice, not engaged or committed to engage in any extraordinary material transactions and has not made or committed to make distributions, dividends or special bonuses;

- (n) since December 31, 2018, other than pursuant to the MAG Acquisition Agreements, the MichiCann Debenture, the Bridging Credit Agreements and advances under the PharmaCo Debenture there has been no change in the affairs, assets, liabilities, business, prospects, operations or conditions (financial or otherwise) of MichiCann which had or would reasonably be expected to have a Material Adverse Effect;
- (o) except as disclosed in the MichiCann Financial Statements and pursuant to the MichiCann Stock Option Plan, there are no plans for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, pension, incentive or otherwise contributed to or required to be contributed to, by MichiCann or any MichiCann Subsidiary for the benefit of any current or former director, officer, employee or consultant of MichiCann or any MichiCann Subsidiary, and all such plans have been maintained in material compliance with the terms thereof and with the requirements prescribed by any and all statutes, orders, rules, policies and regulations that are applicable to any such plan. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (either alone or in combination with another event) (i) increase any material benefits otherwise payable under any such plan, or (ii) result in the acceleration of the time of payment or vesting of or satisfy some or all of the conditions to any material compensation or benefits from MichiCann or any MichiCann Subsidiary to any current or former director, officer, employee or consultant of MichiCann or any MichiCann Subsidiary;
- (p) MichiCann is not aware of any legislation, or proposed legislation published by a legislative body, which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of MichiCann;
- (q) MichiCann and each MichiCann Subsidiary owns and possesses adequate enforceable rights to use all trademarks, patents, copyrights and trade secrets used or proposed to be used in the conduct of the business thereof and, to the best of MichiCann's knowledge, after due inquiry, neither MichiCann nor any MichiCann Subsidiary is infringing upon the rights of any other person with respect to any such trademarks, patents, copyrights or trade secrets and, no person has infringed any such trademark, patents, copyrights or trade secrets;
- (r) there are no material liabilities of MichiCann or any MichiCann Subsidiary whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the MichiCann Financial Statements except for those required pursuant to the MAG Acquisition Agreements, those incurred pursuant to the Bridging Credit Agreements and those incurred in the ordinary course of business consistent with past practice as of the date hereof and which are not individually or in the aggregate, material in amount;
- (s) MichiCann has not admitted in writing that it is, or has been declared to be, insolvent or unable to pay its debts. MichiCann has not committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a

compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any Person holding any encumbrance, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it;

- (t) except as disclosed in the MichiCann Financial Statements, neither MichiCann nor any of the MichiCann Subsidiaries has engaged in any transaction with any non-arm's length person;
- (u) all taxes (including income taxes, capital tax, payroll taxes, employer health taxes, workers' compensation payments, property taxes, sales, use, goods and services taxes, value-added taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by MichiCann and each MichiCann Subsidiary have been paid or provision made therefor in the MichiCann Financial Statements except where the failure to pay such Taxes would not result in a Material Adverse Effect for MichiCann. All tax returns, declarations, remittances and filings required to be filed by MichiCann and each MichiCann Subsidiary have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of MichiCann, no audit or other examination of any tax return of MichiCann or any MichiCann Subsidiary is currently in progress nor has MichiCann been notified in writing or otherwise of any request for such an audit or other examination and there are no issues or disputes outstanding with any governmental authority respecting any Taxes that have been paid, or may be payable, by MichiCann or any MichiCann Subsidiary. There are no agreements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to MichiCann or any MichiCann Subsidiary;
- (v) there is no person, firm or company acting or purporting to act at the request of MichiCann who is or will be entitled to any brokerage or finder's fee in connection with the transactions contemplated herein;
- (w) MichiCann and each of the MichiCann Subsidiaries has conducted and is conducting its business in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business and with all Laws material to its operation, and neither MichiCann nor the MichiCann Subsidiaries has received any notice of the revocation or cancellation of, or any intention to revoke or cancel, any of the licenses, leases or other instruments conferring rights to MichiCann or the MichiCann Subsidiaries for the conduct of its business;
- (x) to the knowledge of MichiCann, after due inquiry, all activities of MichiCann and the MichiCann Subsidiaries have been, up to and including the date hereof, conducted in compliance, in all material respects, with any and all applicable Laws, including, without limitation, Environmental Laws;
- (y) any and all material agreements pursuant to which MichiCann or the MichiCann Subsidiaries holds any of its material assets or holds any material rights or obligations, including without limitation the MAG Acquisition Agreements, the Bridging Credit

Agreements, the PharmaCo Put/Call Option Agreement and the PharmaCo Debenture Purchase Agreement, are valid and subsisting agreements in full force and effect, enforceable in accordance with their respective terms, neither MichiCann nor any MichiCann Subsidiary is in default, and to MichiCann's knowledge, no third party is in default, of any of the material provisions of any such agreements including, without limitation, failure to fulfil any payment or work obligation thereunder nor has any such default been alleged, MichiCann has not provided or received any notice of any intention to terminate any of such agreements and is not aware of any material disputes with respect thereto. All material assets of MichiCann are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, all leases, licenses and concessions pursuant to which MichiCann and the MichiCann Subsidiaries derive their interests in such material assets are in good standing and there has been no material default under any such leases, licenses and concessions and all real or other property taxes required to be paid with respect to such assets to the date hereof have been paid. Complete and correct copies of each material agreement of MichiCann (including all modifications, amendments and supplements thereto and any waivers thereunder), including without limitation the MAG Acquisition Agreement, the Bridging Credit Agreements, the PharmaCo Put/Call Option Agreement and the PharmaCo Debenture Purchase Agreement, have been made available to Tidal and, as of the date of this Agreement, there exists no actual or, to the knowledge of MichiCann, threatened termination, cancellation or material limitation of, or any material amendment, material modification or material change to, any of such material agreements;

- (z) except as disclosed in the MichiCann Financial Statements, neither MichiCann nor any MichiCann Subsidiary has any loan or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is defined in the *Income Tax Act* (Canada));
- (aa) to the knowledge of MichiCann, there are no outstanding labour disputes, (whether filed or lodged with MichiCann or any MichiCann Subsidiary or any other person or organization), pending labour disruptions or pending unionization with respect to MichiCann or the MichiCann Subsidiaries;
- (bb) neither MichiCann nor any of the MichiCann Subsidiaries is bound by or a party to any collective bargaining agreement;
- (cc) there is not, in the constating documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which MichiCann or any MichiCann Subsidiary is a party other than the Bridging Credit Agreements, any restriction upon or impediment to the declaration or payment of dividends by the directors of MichiCann or any MichiCann Subsidiaries or the payment of dividends by MichiCann or any MichiCann Subsidiaries to the holders of its securities;
- (dd) except for the MichiCann Debenture, the Bridging Credit Agreements or as disclosed in the MichiCann Financial Statements, neither MichiCann nor any MichiCann Subsidiary is a party to any loan, bond, debenture, promissory note or other instrument evidencing indebtedness (demand or otherwise) of MichiCann for borrowed money ("**Debt Instrument**") or any agreement contract or commitment to create, assume or issue any Debt Instrument;
- (ee) neither MichiCann nor any MichiCann Subsidiary is a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly

limits the freedom of MichiCann or any MichiCann Subsidiary to compete in any line of business, or to transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of MichiCann or any MichiCann Subsidiary or which would prohibit or restrict MichiCann from entering into and completing the Business Combination;

- (ff) Neither MichiCann nor any MichiCann Subsidiary is a party to any agreement, nor is MichiCann aware of any agreement, which in any manner affects the voting control of any of the MichiCann Shares or other securities of MichiCann or any MichiCann Subsidiary;
- (gg) Neither MichiCann nor any MichiCann Subsidiary is aware of any pending or contemplated change to any applicable Law or governmental position that would materially affect the business of MichiCann or the MichiCann Subsidiaries taken as a whole or the legal environments under which MichiCann and the MichiCann Subsidiaries operate;
- (hh) no representation, warranty or statement of MichiCann in this Agreement contains or will contain at the Effective Time any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading;
- (ii) the corporate records and minute books of MichiCann and the MichiCann Subsidiaries contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders since the date of incorporation, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed, and all corporate proceedings and actions reflected therein have been conducted or taken in material compliance with all applicable laws and with the constating documents of MichiCann; and
- (jj) all written and factual information previously furnished or to be furnished to Tidal by or on behalf of MichiCann in the data room or otherwise for this transaction, is (i) as it relates to MichiCann and the MichiCann Subsidiaries, true and accurate, and (ii) as it relates to PharmaCo, to the best of MichiCann's knowledge and belief, true and accurate, in either case, in every material respect and such information is not incomplete by the omission of any material fact necessary to make such information not misleading.

3.2 Representations and Warranties of Tidal

Tidal hereby represents and warrants to MichiCann, and acknowledges that MichiCann is relying upon these representations and warranties in connection with the entering into of this Agreement, as follows:

- (a) Tidal (i) has been duly incorporated and is validly existing and in good standing under the laws of the Province of British Columbia and is current and up-to-date with all filings required to be made by it in such jurisdiction, (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (iii) has the requisite corporate power and authority and the legal right to own and operate its properties and assets, to lease the property it operates under lease and to conduct its business as presently conducted in the jurisdictions in which it currently carries on business; and (iv) is in compliance with its constating documents;

- (b) The Tidal Subsidiaries are the only Subsidiaries of Tidal. Each Tidal Subsidiary has been duly incorporated and is validly existing under the laws of its jurisdiction of formation and is current and up-to-date with all filings required to be made by it in such jurisdiction, all of the issued shares in the capital of each of the Tidal Subsidiaries are owned directly or indirectly by Tidal, free and clear of any pledge, lien, security interest, charge, claim or encumbrance or in relation to inter-corporate security, and neither Tidal nor any Tidal Subsidiary is a party or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any securities of any of the Tidal Subsidiaries or securities convertible into or exchangeable for any securities of any of the Tidal Subsidiaries;
- (c) Tidal has full corporate power, capacity and authority to undertake all steps of the Business Combination contemplated in the Documents and to carry out its obligations under this Agreement;
- (d) the authorized capital of Tidal consists of an unlimited number of Tidal Shares and an unlimited number of Tidal Preferred Shares, of which 375,431,661 Tidal Shares and 50,900,000 Tidal Preferred Shares are currently issued and outstanding (prior to the Tidal Share Consolidation); except for such Tidal Shares, the Tidal Preferred Shares, the Tidal Warrants, the Tidal Finder's Warrants, the Tidal Options and the Tidal Advisory Fee, Tidal has no other securities outstanding nor is it a party to or has granted any agreement, warrant, option or right or privilege capable of becoming an agreement, for the purchase, subscription or issuance of any Tidal Shares or securities convertible into or exchangeable for Tidal Shares;
- (e) on the Effective Date, the Resulting Issuer Shares, the Resulting Issuer Preferred Shares and the Resulting Issuer Series II Preferred Shares will be duly and validly issued and outstanding as fully paid and non-assessable and the Resulting Issuer Convertible Securities will be duly and validly created and issued;
- (f) Tidal is a reporting issuer, or the equivalent thereof, in the provinces of British Columbia and Ontario (collectively, the "**Reporting Jurisdictions**") and is not currently in default of any requirement of the applicable laws of each of the Reporting Jurisdictions and other regulatory instruments of the Securities Authorities in such provinces, and no order ceasing, halting or suspending trading in securities of Tidal or prohibiting the distribution of such securities has been issued to and is outstanding against Tidal and no investigations or proceedings for such purposes are, to the knowledge of Tidal, pending or threatened;
- (g) since July 31, 2019, other than as disclosed in the public record, Tidal has not entered into any contract in respect of its business or assets, other than in the ordinary course of business, and has continued to carry on its business and maintain its assets in the ordinary course of business, with the exception of reasonable costs incurred in connection with the Business Combination, and without limitation but subject to the above exceptions, has maintained payables and other liabilities at levels consistent with past practice, not engaged or committed to engage in any extraordinary material transactions and has not made or committed to make distributions, dividends or special bonuses;
- (h) Tidal is in compliance in all material respects with all its disclosure obligations under applicable Laws and all documents filed by Tidal pursuant to such obligations are in compliance in all material respects with applicable Laws and, other than in respect of documents that have been amended or refiled did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary

to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (i) Tidal and each Tidal Subsidiary has all requisite corporate capacity, power and authority, and possesses all material certificates, authority, permits and licenses issued by the appropriate state, provincial, municipal or federal regulatory agencies or bodies necessary to conduct the business as now conducted by it and to own its assets and is in compliance in all material respects with such certificates, authorities, permits or licenses. Tidal has not received any notice of proceedings relating to the revocation or modification of any such certificate, authority, permit or license which, singly or in the aggregate, if the subject of an unfavourable decision, order, finding or ruling, would materially and adversely affect the conduct of the business, operations, financial condition, income or future prospects of Tidal and each Tidal Subsidiary;
- (j) Tidal and each Tidal Subsidiary is the absolute legal and beneficial owner of, and has good and marketable title to, all of the material property or assets thereof free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever, other than those reflected or reserved against it in the Tidal Financial Statements;
- (k) each of the Documents has been, or at the Effective Time will be, duly authorized and, with respect to this Agreement, executed and delivered by Tidal and constitutes a valid and binding obligation of Tidal enforceable in accordance with its terms (subject to such limitations and prohibitions as may exist or may be enacted in applicable laws relating to bankruptcy, insolvency, liquidation, moratorium, reorganization, arrangement or winding-up and other laws, rules and regulations of general application affecting the rights, powers, privileges, remedies and/or interests of creditors generally) and no other corporate proceeding on the part of Tidal, other than the submission of the Fundamental Change Written Consent to Tidal Shareholders in order to obtain the Tidal Shareholder Approval and the approval of the matters provided in Section 2.1 for which Tidal board of director approval is to be sought in accordance with this Agreement, is necessary to authorize this Agreement and the transactions contemplated hereby;
- (l) the entering into and the performance by Tidal and Subco of the transactions contemplated in the Documents:
 - (i) do not require any consent, approval, authorization or order of any court or governmental agency or body or Government Authority on the part of Tidal or the Tidal Subsidiaries, except that which may be required under applicable corporate and securities legislation and the policies of the CSE;
 - (ii) will not contravene any statute or regulation of any Government Authority which is binding on Tidal or Subco where such contravention would have a Material Adverse Effect; and
 - (iii) will not result in the breach of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents or resolutions of Tidal or Subco or any mortgage, note, indenture, contract or agreement, instrument, lease or other document to which Tidal or Subco is or will be a party, or any judgment, decree or order or any term or provision thereof, which breach, conflict or default would have a Material Adverse Effect;

- (m) there is no action, suit or proceeding, at law or in equity, by any Person, nor any arbitration, administrative, regulatory or other proceeding by or before (or, to the knowledge of Tidal, any investigation by) any Government Authority pending, or, to the knowledge of Tidal, contemplated or threatened, against or affecting Tidal or a Tidal Subsidiary or any of its properties or rights and, to the knowledge of Tidal, other than as Tidal has advised MichiCann, there is no valid basis which would reasonably be expected to result in any such action, suit, proceeding, arbitration or investigation or which would reasonably be expected to have a Material Adverse Effect on Tidal or its assets. Tidal is not subject to any judgment, order or decree entered in any lawsuit or proceeding;
- (n) since July 31, 2019, there has been no change in the affairs, assets, liabilities, business, prospects, operations or conditions (financial or otherwise) of Tidal, which had or would reasonably be expected to have, a Material Adverse Effect;
- (o) the audited annual financial statements of Tidal for the year ended July 31, 2019 and 2018 and the notes thereto and the unaudited condensed interim consolidated financial statements of Tidal as at October 31, 2019 and 2018 and the notes thereto (collectively, the “**Tidal Financial Statements**”), in each case, have been prepared in accordance with IFRS, present fairly and correctly, in all material respects, the financial position and results of operations and cash flows of Tidal as at such date, and do not omit to state any material fact that is required by IFRS or by applicable law to be stated or reflected therein or which is necessary to make the statements contained therein not misleading;
- (p) except as disclosed in the Tidal Financial Statements, there are no plans for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, pension, incentive or otherwise contributed to, or required to be contributed to, by Tidal or any Tidal Subsidiary for the benefit of any current or former director, officer, employee or consultant of Tidal or any Tidal Subsidiary, and all such plans disclosed in the Tidal Financial Statements have been maintained in material compliance with the terms thereof and with the requirements prescribed by any and all statutes, orders, rules, policies and regulations that are applicable to any such plan;
- (q) Tidal and each Tidal Subsidiary maintains insurance against loss or damage in respect of its assets, business and operations, with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses and such insurance policies are in full force and effect and shall remain in full force and effect following consummation of the Business Combination;
- (r) Tidal and each Tidal Subsidiary owns and possesses adequate enforceable rights to use all trademarks, patents, copyrights and trade secrets used or proposed to be used in the conduct of the business thereof and, to the best of Tidal’s knowledge, after due inquiry, neither Tidal nor any Tidal Subsidiary is infringing upon the rights of any other person with respect to any such trademarks, patents, copyrights or trade secrets and, no person has infringed any such trademark, patents, copyrights or trade secrets;
- (s) there are no material liabilities of Tidal or any Tidal Subsidiary whether direct, indirect, absolute, contingent or otherwise which are not disclosed or reflected in the Tidal Financial Statements except for those incurred in the ordinary course of business consistent with past practice as of the date hereof and which are not, individually or in

the aggregate, material in amount and except for those in respect of which Tidal has advised MichiCann;

- (t) Tidal has not admitted in writing that it is, or has been declared to be, insolvent or unable to pay its debts. Tidal has not committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any Person holding any encumbrance, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it;
- (u) except as disclosed in the Tidal Financial Statements, neither Tidal nor any of the Tidal Subsidiaries has engaged in any transaction with any non-arm's length person;
- (v) all Taxes due and payable by Tidal and each Tidal Subsidiary have been paid or provision made therefor in the financial statements of Tidal except for where the failure to pay such Taxes would not result in a Material Adverse Effect for Tidal. All tax returns, declarations, remittances and filings required to be filed by Tidal and each Tidal Subsidiary have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading. To the knowledge of Tidal, no audit or other examination of any tax return of Tidal or any Tidal Subsidiary is currently in progress nor has Tidal been notified in writing or otherwise of any request for such an audit or other examination and there are no issues or disputes outstanding with any governmental authority respecting any Taxes that have been paid, or may be payable, by Tidal or any Tidal Subsidiary. There are no agreements with any taxation authority providing for an extension of time for any assessment or reassessment of Taxes with respect to Tidal or any Tidal Subsidiary;
- (w) other than in connection with the Tidal Advisory Fee, there is no person, firm or company acting or purporting to act at the request of Tidal who is entitled to any brokerage or finder's fee in connection with the transactions contemplated in the Documents;
- (x) Tidal and each of the Tidal Subsidiaries has conducted and is conducting its business in compliance in all material respects with all applicable Laws of each jurisdiction in which it carries on business (other than Tidal with respect to corporate law requirements to have held an annual shareholders meeting during the 2019 calendar year) and with all Laws material to its operation and neither Tidal and the Tidal Subsidiaries have received any notice of the revocation or cancellation of, or any intention to revoke or cancel, any concessions, licenses, leases or other instruments conferring rights to Tidal or the Tidal Subsidiaries;
- (y) to the knowledge of Tidal, after due inquiry, all activities of Tidal and the Tidal Subsidiaries have been, up to and including the date hereof, conducted in compliance, in all material respects, with any and all applicable Laws, including, without limitation, Environmental Laws;
- (z) any and all material agreements pursuant to which Tidal or the Tidal Subsidiaries holds any of their material assets are valid and subsisting agreements in full force and effect,

enforceable in accordance with their respective terms, neither Tidal nor any Tidal Subsidiary, nor to the knowledge of Tidal, any third party, is in default of any of the material provisions of any such agreements including, without limitation, failure to fulfil any payment or work obligation thereunder nor has any such default been alleged, Tidal has not provided or received notice of any intention to terminate any of such agreements and is not aware of any material disputes with respect thereto and such assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, all leases, licenses and concessions pursuant to which Tidal and the Tidal Subsidiaries derive their interests in such material assets are in good standing and there has been no material default under any such leases, licenses and concessions and all real or other property taxes required to be paid with respect to such assets to the date hereof have been paid. Complete and correct copies of each material agreement of Tidal (including all modifications, amendments and supplements thereto and any waivers thereunder) have been made available to MichiCann and, as of the date of this Agreement, there exists no actual or, to the knowledge of Tidal, threatened termination, cancellation or material limitation of, or any material amendment, material modification or material change to, any of such material agreements;

- (aa) to the knowledge of Tidal, after due inquiry, all the properties in which Tidal or the Tidal Subsidiaries have any freehold, leasehold, license or other interest are free and clear of any hazardous or toxic material, pollution, or other adverse environmental conditions which may give rise to any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursement or expenses (including, without limitation, attorneys' fees and costs, experts' fees and costs, and consultant's fees and costs) of any kind or of any nature whatsoever that are asserted against Tidal or Tidal Subsidiaries, alleging liability (including, without limitation, liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, contaminant costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages, business losses, personal injuries, penalties or fines) arising out of, based on or resulting from (i) the presence, release, threatened release, discharge or emission into the environment of any hazardous materials or substances existing or arising on, beneath or above properties and/or emanating or migrating and/or threatening to emanate or migrate from such properties to off-site properties; (ii) physical disturbance of the environment; and (iii) the violation or alleged violation of all Environmental Laws; and to the knowledge of Tidal, after due inquiry, all environmental approvals required pursuant to Environmental Laws with respect to activities carried out on any part of the lands covered by such properties, have been obtained, are valid and in full force and effect and have been complied with; and there are no proceedings commenced or threatened to revoke or amend any such environmental approvals;
- (bb) except as disclosed in the Tidal Financial Statements, neither Tidal nor any Tidal Subsidiary has any loan or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at "arm's length" (as such term is defined in the *Income Tax Act (Canada)*);
- (cc) to the knowledge of Tidal, there are no outstanding labour disputes, (whether filed or lodged with Tidal or any Tidal Subsidiaries or any other person or organization), pending labour disruptions or pending unionization with respect to Tidal or the Tidal Subsidiaries;
- (dd) neither Tidal nor any of the Tidal Subsidiaries is bound by or a party to any collective bargaining agreement;

- (ee) since the date of its incorporation Tidal has not, directly or indirectly, declared or paid any dividend or declared or made any other distribution on Tidal Shares or securities of any class, or, directly or indirectly, redeemed, purchased or otherwise acquired any Tidal Shares or securities or agreed to do any of the foregoing;
- (ff) there is not, in the constating documents or in any agreement, mortgage, note, debenture, indenture or other instrument or document to which Tidal or any Tidal Subsidiaries is a party any restriction upon or impediment to, the declaration or payment of dividends by the directors of Tidal or any Tidal Subsidiaries or the payment of dividends by Tidal or any Tidal Subsidiaries to the holders of its securities;
- (gg) except as disclosed in the Tidal Financial Statements, Tidal is not a party to any Debt Instrument or any agreement, contract or commitment to create, assume or issue any Debt Instrument;
- (hh) except to the extent that Tidal must comply with the policies of the CSE, neither Tidal nor any Tidal Subsidiary is a party to or bound or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of Tidal or any Tidal Subsidiary to compete in any line of business, or to transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of Tidal or any Tidal Subsidiary or which would prohibit or restrict Tidal from entering into and completing the Business Combination;
- (ii) neither Tidal nor any Tidal Subsidiary is a party to any agreement, nor is Tidal aware of any agreement, which in any manner affects the voting control of any of the Tidal Shares or other securities of Tidal or any Tidal Subsidiary;
- (jj) neither Tidal nor any Tidal Subsidiary is aware of any pending or contemplated change to any applicable Law or governmental position that would materially affect the business of Tidal or the Tidal Subsidiaries taken as a whole or the legal environments under which Tidal and the Tidal Subsidiaries operate;
- (kk) no representation, warranty or statement of Tidal or Subco in this Agreement contains or will contain at the Effective Time any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading;
- (ll) the corporate records and minute books of Tidal and the Tidal Subsidiaries contain, in all material respects, complete and accurate minutes of all meetings of the directors and shareholders for the last three years, together with the full text of all resolutions of directors and shareholders passed in lieu of such meetings, duly signed, and all corporate proceedings and actions reflected therein have been conducted or taken in material compliance with all applicable Laws and with the constating documents of Tidal; and
- (mm) all written and factual information previously furnished or to be furnished to MichiCann by or on behalf of Tidal in the data room or otherwise for this transaction, is true and accurate, in every material respect, and such information is not incomplete by the omission of any material fact necessary to make such information not misleading.

3.3 Survival

For greater certainty, the representations and warranties of each of MichiCann and Tidal contained herein shall survive the execution and delivery of this Agreement and shall terminate and be

extinguished on the earlier of the termination of this Agreement in accordance with its terms and the Effective Time.

ARTICLE 4 CONDUCT OF BUSINESS

4.1 Conduct of Business by the Parties

Except as required by Law or as otherwise expressly permitted or specifically contemplated by this Agreement, each of the Parties covenants and agrees that, during the period from the date of this Agreement until the earlier of either the Effective Time or the time that this Agreement is terminated by its terms, unless each of the other Parties shall otherwise agree in writing:

- (a) it shall, and shall cause its Subsidiaries to conduct business in, and not take any action except in, the usual and ordinary course of business, with the exception of reasonable costs incurred in connection with the Business Combination, and it shall and shall cause its Subsidiaries to use all commercially reasonable efforts to maintain and preserve its business organization, assets, employees and advantageous business relationships and it shall not, and shall cause its Subsidiaries to not, without the prior written consent of the other Parties, enter into any contract in respect of its business or assets, other than in the ordinary course of business, and without limitation but subject to the foregoing, shall maintain payables and other liabilities at levels consistent with past practice, shall not engage or commit to engage in any extraordinary material transactions and shall not make or commit to make distributions, dividends or special bonuses, without the prior written consent of the other Parties; and
- (b) other than as contemplated by this Agreement, it shall not directly or indirectly do or permit to occur any of the following:
 - (i) amend its Governing Documents;
 - (ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of its shares owned by any Person other than inter-corporate loans and advances;
 - (iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire shares other than, in the case of MichiCann: (A) the issuance of MichiCann Shares upon the exercise of any MichiCann Convertible Securities, and other than, in the case of Tidal: (X) the issuance of Tidal Shares pursuant to existing obligations including the Tidal Preferred Shares, the Tidal Series II Preferred Shares, the Tidal Warrants, the Tidal Finder's Warrants and the Tidal Options;
 - (iv) redeem, purchase or otherwise acquire any of its outstanding shares or other securities including, without limitation, under an issuer bid;
 - (v) split, combine or reclassify any of its shares;
 - (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of itself or any of its Subsidiaries; or
 - (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above.

ARTICLE 5 COVENANTS

5.1 Waiver of Notice of Subco Shareholder Meeting and Resolution in Lieu of Meeting by Tidal

Tidal, as sole shareholder of Subco, shall waive notice of and its attendance at a meeting of the shareholders of Subco to approve the Amalgamation and shall sign a resolution in writing of the sole shareholder of Subco approving the Amalgamation.

5.2 Representations and Warranties

- (a) MichiCann covenants and agrees that from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in section 3.1 being untrue in any material respect.
- (b) Tidal covenants and agrees that, from the date hereof until the termination of this Agreement it shall not take any action, or fail to take any action, which would or may reasonably be expected to result in the representations and warranties set out in section 3.2 being untrue in any material respect.

5.3 Notice of Material Change

- (a) From the date hereof until the termination of this Agreement, each Party shall promptly notify the other Party in writing of:
 - (i) any material change (actual, anticipated, contemplated or, to the knowledge of such Party or any of its Subsidiaries, threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of such Party and its Subsidiaries, taken as whole;
 - (ii) any change in the facts relating to any representation or warranty set out in sections 3.1 or 3.2 hereof, as applicable, which change is or may be of such a nature as to render any such representation or warranty misleading or untrue in a material respect; or
 - (iii) any material fact which arises and which would have been required to be stated herein had the fact arisen on or prior to the date of this Agreement.
- (b) Each of the Parties shall in good faith discuss with the other any change in circumstances (actual, anticipated, contemplated or, to its knowledge of its or any of its Subsidiaries, threatened, financial or otherwise) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other pursuant to this section.

5.4 Non-Solicitation

None of the Parties nor their representatives shall directly or indirectly solicit any offers to purchase its shares or assets and neither of Tidal nor MichiCann nor any of their representatives will directly or indirectly initiate or encourage any discussions or negotiations with any third party with respect to such a transaction or amalgamation, merger, take-over, plan of arrangement or similar transaction during the period commencing on the date hereof and ending on the termination of this Agreement. The Parties and their representatives shall immediately cease and cause to be terminated

any existing discussions, negotiations or provision of information with or to any third party related to any of the foregoing. In the event any of the Parties or any of their representatives is approached in respect of any such transaction, it shall immediately notify the other.

5.5 Other Covenants

Each of the Parties covenants and agrees that it shall:

- (a) use all commercially reasonable efforts to consummate the Business Combination, subject only to the terms and conditions hereof and thereof;
- (b) use all commercially reasonable efforts to obtain all appropriate Regulatory Approvals;
- (c) use all commercially reasonable efforts to obtain signed copies of the MichiCann Escrow Agreements and the Tidal Escrow Agreements, as applicable, as soon as practicable following the execution of this Agreement and in any event prior to the Effective Date;
- (d) not, other than in connection with the Business Combination, split, consolidate or reclassify any of its outstanding securities, nor declare, set aside or pay any dividends on or make any other distributions on or in respect of its outstanding securities;
- (e) not, other than in connection with the Business Combination, reorganize, amalgamate or merge with any other person, nor acquire by amalgamating, merging or consolidating with, purchasing a majority of the voting securities or substantially all of the assets of or otherwise, any business or Person which acquisition or other transaction would reasonably be expected to prevent or materially delay the Business Combination contemplated hereby; and
- (f) not take any action that is intended to, or would be reasonably expected to, individually or in the aggregate, prevent, materially delay or materially impede the ability of it to consummate the Business Combination or the other transactions contemplated by the Documents.

ARTICLE 6 MUTUAL COVENANTS

6.1 Other Filings

The Parties shall, as promptly as practicable hereafter, prepare and file all filings required under any securities Laws, the rules of the CSE or any other applicable Laws relating to the Business Combination contemplated hereby.

6.2 Additional Agreements

Subject to the terms and conditions of this Agreement and subject to fiduciary obligations under applicable Laws, each of the Parties hereto agrees to use all commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Business Combination contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts:

- (a) to obtain all necessary waivers, consents and approvals from other Parties to material agreements, leases and other contracts or agreements;

- (b) to defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the Business Combination contemplated hereby;
- (c) to cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Parties to consummate the Business Combination contemplated hereby;
- (d) to effect all necessary registrations and other filings and submissions of information requested by the CSE;
- (e) to effect all necessary registrations and other filings and submissions of information requested by any Government Authority; and
- (f) to fulfill all conditions and satisfy all provisions of this Agreement.

For purposes of the foregoing, the obligation to use “**commercially reasonable efforts**” to obtain waivers, consents and approvals to loan agreements, leases and other contracts shall not include any obligation to agree to a materially adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other Parties.

ARTICLE 7 CONDITIONS AND CLOSING MATTERS

7.1 Mutual Conditions Precedent

The respective obligations of the Parties hereto to complete each step of the Business Combination contemplated by this Agreement shall be subject to the satisfaction, on or before the Effective Date, of the following conditions precedent, each of which may be waived only by the mutual consent of the Parties:

- (a) there shall have been no action taken under any applicable Law or by any Government Authority and there shall not be in force any order or decree restraining or enjoining the consummation of the Business Combination;
- (b) this Agreement shall not have been terminated pursuant to Article 8;
- (c) all Regulatory Approvals (including CSE approvals) and corporate approvals shall have been obtained;
- (d) each Party shall not have entered into any transaction or contract which would have a material effect on the financial and operational condition, or the assets of each Party, excluding those transactions or contracts undertaken in the ordinary course of business, without first discussing and obtaining the approval of the other Party;
- (e) the MichiCann Shareholder Approval shall have been obtained;
- (f) the Tidal Shareholder Approval shall have been obtained; and
- (g) Tidal shall have completed the Tidal Share Consolidation, the Tidal Name Change and the Tidal Director Appointments.

If any of the above conditions shall not have been complied with or waived by the Parties on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then a Party may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by the Party terminating the

Agreement. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by a Party of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, such defaulting Party shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own non-compliance with its obligations under this Agreement.

7.2 Additional Conditions Precedent to the Obligations of MichiCann

The obligations of MichiCann to complete the Business Combination contemplated by this Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of MichiCann and may be waived by MichiCann and any one or more of which, if not satisfied or waived, will relieve MichiCann of any obligation under this Agreement):

- (a) on or prior to the Effective Date, and effective upon completion of the Amalgamation, each of the directors and officers of Tidal who are not continuing on in such capacities pursuant to Section 2.3 shall have tendered their resignations and provided mutual releases in a form acceptable to MichiCann and the board of directors of Tidal, subject to the approval of the CSE, shall have been reconstituted, and the officers shall have been appointed, as set forth in Section 2.3;
- (b) no Material Adverse Change with respect to Tidal shall have occurred between the date hereof and the Effective Date and the CEO of Tidal or another officer satisfactory to MichiCann shall deliver a certificate addressed to MichiCann certifying the foregoing immediately prior to the Effective Time;
- (c) Tidal shall have complied and performed, in all material respects, all of its covenants and other obligations under this Agreement which have not been waived by MichiCann, and all representations and warranties of Tidal contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall remain true and correct in all material respects thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had three days to cure such misrepresentation, breach or non-performance), and the CEO of Tidal or another officer satisfactory to MichiCann shall deliver a certificate addressed to MichiCann certifying the foregoing immediately prior to the Effective Time;
- (d) the Tidal board of directors, the Subco board of directors and the Tidal Shareholders as necessary, shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by Tidal to permit the consummation of the Business Combination and the transactions contemplated therewith; and
- (e) MichiCann shall have received all of the Tidal Escrow Agreements and all covenants under the Tidal Escrow Agreements to be performed on or before the Effective Time which have not been waived by MichiCann shall have been duly performed by the counterparties thereto in all material respects.

If any of the above conditions shall not have been complied with or waived by MichiCann on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to the cure provision provided for in section 7.2(c), MichiCann may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by MichiCann. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by MichiCann of its obligations under

this Agreement and if such condition(s) precedent would have been satisfied but for such default, MichiCann shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under this Agreement.

7.3 Additional Conditions Precedent to the Obligations of Tidal

The obligations of Tidal to complete each step of the Business Combination contemplated by this Agreement shall also be subject to the satisfaction, on or before the Effective Date, of each of the following conditions precedent (each of which is for the exclusive benefit of Tidal and may be waived by Tidal and any one or more of which, if not satisfied or waived, will relieve Tidal of any obligation under this Agreement):

- (a) no Material Adverse Change with respect to MichiCann taken as a whole shall have occurred between the date hereof and the Effective Date and the President of MichiCann or another officer satisfactory to Tidal shall deliver a certificate addressed to Tidal certifying the foregoing immediately prior to the Effective Time;
- (b) MichiCann shall have complied and performed, in all material respects, all of its covenants or other obligations under this Agreement which have not been waived by Tidal, and all representations and warranties of MichiCann contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall remain true and correct in all material respects thereafter (provided, however, that if the breaching Party has been given written notice by the other Party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching Party shall have had three days to cure such misrepresentation, breach or nonperformance), and the President of MichiCann or another officer satisfactory to Tidal shall deliver a certificate addressed to Tidal certifying the foregoing immediately prior to the Effective Time;
- (c) the MichiCann board of directors and the MichiCann Shareholders shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by MichiCann to permit the consummation of the Amalgamation, the Business Combination and the transactions contemplated by the Documents;
- (d) Tidal shall have received all of the MichiCann Escrow Agreements and all covenants under the MichiCann Escrow Agreements to be performed on or before the Effective Time which have not been waived by Tidal shall have been duly performed by the counterparties thereto in all material respects; and
- (e) the number of Dissenting MichiCann Shares, for which dissent rights have not been withdrawn, at the time of the MichiCann Meeting shall not exceed 5% of the number of issued and outstanding MichiCann Shares.

If any of the above conditions shall not have been complied with or waived by Tidal on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to the cure provision provided for in section 7.3(b), Tidal may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Tidal or Subco. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by Tidal or Subco of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, neither Party shall rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under this Agreement.

7.4 Merger of Conditions

The conditions set out in sections 7.1, 7.2 and 7.3 shall be conclusively deemed to have been satisfied, waived or released by the Parties on the filing of the Articles of Amalgamation with the Director and such other documents as are required to be filed under the OBCA for acceptance by the Director to give effect to the Amalgamation.

7.5 Closing Matters

The completion of the transactions contemplated under this Agreement shall be effected via electronic exchange or at the offices of MichiCann's counsel, Gowling WLG (Canada) LLP, at 10:00 a.m. (Toronto time) (the "**Time of Closing**") on the Effective Date.

ARTICLE 8 TERMINATION, AMENDMENT AND DISSENTING SHAREHOLDERS

8.1 Termination

This Agreement may be terminated by written notice promptly given to the other Party hereto, at any time prior to the Effective Date:

- (a) by mutual agreement in writing by the Parties;
- (b) as set forth in sections 7.1, 7.2 and 7.3 of this Agreement; or
- (c) by either Party if the Business Combination has not been completed by the Completion Deadline.

8.2 Effect of Termination

In the event of the termination of this Agreement as provided in section 8.1 hereof, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of Tidal or MichiCann hereunder except as set forth in section 8.3 hereof and this section 8.2, in addition to sections 1.6, 9.3, 9.5, 9.8 and the provisions of the Confidentiality Agreement, all of which shall survive the termination of this Agreement. For the avoidance of doubt, nothing contained in this Section 8.2 shall relieve or have the effect of relieving any Party in any way from liability for damages incurred or suffered by a Party as a result of any breach of this Agreement.

8.3 Fees and Expenses

Each of MichiCann and Tidal shall pay its own costs and expenses (including all legal, accounting and financial advisory fees and expenses) incurred in connection with the completion of the Business Combination, including without limitation, expenses related to the preparation, execution and delivery of all agreements including, without limitation, this Agreement and other documents referenced herein.

8.4 Amendment

This Agreement and the Amalgamation Agreement may, at any time and from time to time on or before the Effective Date be amended by mutual written agreement between the Parties hereto without further notice or authorization on the part of the MichiCann Shareholders or Tidal Shareholders. This Agreement and the Amalgamation Agreement may only be amended by an instrument in writing signed by the appropriate officers on behalf of each of the Parties hereto.

8.5 Dissenting Shareholders

On the earlier of the Effective Date, the making of an agreement between a Dissenting Shareholder and MichiCann for the purchase of their Dissenting MichiCann Shares or the pronouncement of a court order pursuant to Section 185 of the OBCA, a Dissenting Shareholder shall cease to have any rights as a MichiCann Shareholder other than the right to be paid the fair value of its Dissenting MichiCann Shares in the amount agreed to or as ordered by the court, as the case may be. Notwithstanding anything in this Agreement to the contrary, Dissenting MichiCann Shares which are held by a Dissenting Shareholder shall not be exchanged for Tidal Shares or Tidal Series II Preferred Shares, as the case may be, on the Effective Date as provided in section 2.1 hereof. However, in the event that a Dissenting Shareholder fails to perfect or effectively withdraws the Dissenting Shareholder's claim under Section 185 of the OBCA or otherwise forfeits the Dissenting Shareholder's right to make a claim under Section 185 of the OBCA, the Dissenting Shareholder's Dissenting MichiCann Shares shall thereupon be deemed to have been exchanged as of the Effective Date for Resulting Issuer Consideration Shares on the basis set forth in section 2.1 hereof.

8.6 Waiver

A Party may (i) extend the time for the performance of any of the obligations or other acts of the other Party, (ii) waive compliance with any of the other Party's agreements or the fulfillment of any of its conditions contained herein or (iii) waive inaccuracies in another Party's representations or warranties contained herein or in any document delivered by the other Party hereto, in each case only to the extent such obligations, agreements, conditions or representations are intended for its benefit; and provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. Any such waiver shall be limited to the specific breach or condition waived and shall not extend to any other matter or occurrence. No failure or delay in exercising any right, power or privilege under this Agreement will operate as a waiver, nor will any single or partial exercise thereof preclude any other or further exercise of any right, power or privilege under this Agreement.

ARTICLE 9 GENERAL

9.1 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or sent if delivered personally or sent by e-mail or sent by prepaid overnight courier to the Parties at the following addresses (or at such other addresses as shall be specified by the Parties by like notice):

if to MichiCann:

MichiCann Medical Inc.
8820 Jane Street
Concord, ON L4K 2M9

Attention: Brad Rogers, Chief Executive Officer
E-mail: [REDACTED]

with a copy to:

Gowling WLG (Canada) LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario M5X 1G5

Attention: [REDACTED]
E-mail: [REDACTED]

if to Tidal or Subco:

Tidal Royalty Corp.
Suite 810
789 West Pender Street
Vancouver, BC V6C 1H2

Attention: Theo van der Linde, Chief Financial Officer and Director
E-mail: [REDACTED]

with a copy to:

Cassels Brock & Blackwell LLP
40 King Street West, Suite 2100
Toronto, Ontario M5H 3C2

Attention: [REDACTED]
E-mail: [REDACTED]

9.2 Assignment

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the Parties hereto without the prior written consent of the other Party.

9.3 Complete Agreement

This Agreement and the Confidentiality Agreement sets forth the entire understanding between the Parties hereto and supersedes all prior agreements, arrangements and communications, whether oral or written, with respect to the subject matter hereof, including but not limited to, the amended and restated letter of intent dated February 12, 2019 between MichiCann and Tidal and the business combination agreement made as of May 8, 2019, between MichiCann, Tidal and Subco. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the Parties hereto with respect to the subject matter hereof.

9.4 Further Assurances

Each Party hereto shall, from time to time, and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

9.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.6 Counterpart Execution

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

9.7 Investigation by Parties

No investigations made by or on behalf of either Party or any of their respective authorized agents at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by the other Party in or pursuant to this Agreement.

9.8 Public Announcement; Disclosure and Confidentiality

- (a) Unless and until the transactions contemplated in this Agreement will have been completed, none of the Parties shall make any public announcement concerning this Agreement or the matters contemplated herein, their discussions or any other memoranda, letters or agreements between them relating to the matters contemplated herein without the prior consent of the other Parties, which consent shall not be unreasonably withheld, provided that no party shall be prevented from making any disclosure which is required to be made by law or any rules of a stock exchange or similar organization to which it is bound.
- (b) All information provided to or received by the parties hereunder and pursuant to the Confidentiality Agreement shall be treated as confidential ("**Confidential Information**"). Subject to the provisions of this Section, no Confidential Information shall be published by any party hereto without the prior written consent of the others, but such consent in respect of the reporting of factual data shall not be unreasonably withheld. The consent required by this Section shall not apply to a disclosure to: (a) comply with any applicable laws, stock exchange rules or a regulatory authority having jurisdiction; (b) a director, officer or employee of a party; (c) an affiliate (within the meaning of the OBCA) of a party; (d) a consultant, contractor or subcontractor of a party that has a bona fide need to be informed; (e) any third party to whom the disclosing party may assign any of its rights under this Agreement; provided, however, that in the case of subsection (e) the third party or parties, as the case may be, agree to maintain in confidence any of the Confidential Information so disclosed to them, or any disclosure made in compliance with the Confidentiality Agreement.
- (c) The obligations of confidence and prohibitions against use of Confidential Information under this Agreement shall not apply to information that the disclosing party can show by reasonable documentary evidence or otherwise: (a) as of the date of this Agreement, was in the public domain; (b) after the date of this Agreement, was published or otherwise became part of the public domain through no fault of the disclosing party or an affiliate thereof (but only after, and only to the extent that, it is published or otherwise becomes part of the public domain); or (c) was information that

the disclosing party or its affiliates were required to disclose pursuant to the order of any Government authority or judicial authority.

- (d) Each Party shall comply with applicable privacy Laws in the course of collecting, using and disclosing personal information about identifiable individuals in connection with the transactions contemplated hereby (the “**Transaction Personal Information**”). Neither Party shall disclose Transaction Personal Information originally collected by the other Party to any Person other than to its advisors who are evaluating and advising on the transactions contemplated by this Agreement. The Parties shall protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Each Party shall cause its advisors to observe the terms of this Section 9.8 and to protect and safeguard all Transaction Personal Information in their possession. If this Agreement shall be terminated, each Party shall promptly deliver to the other Party all Transaction Personal Information originally collected by such other Party in its possession or in the possession of any of its advisors, including all copies, reproductions, summaries or extracts thereof, except, unless prohibited by applicable Law, for electronic backup copies made automatically in accordance with the usual backup procedures of the Party returning such Transaction Personal Information

9.9 Equitable Remedies

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

MICHICANN MEDICAL INC.

Per: 

Michael Marchese

President

TIDAL ROYALTY CORP.

Per: _____

Theo van der Linde

Chief Financial Officer

2690229 ONTARIO INC.

Per: _____

Brendan Purdy

President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.


MICHICANN MEDICAL INC.

Per: _____
Michael Marchese
President

TIDAL ROYALTY CORP.

Per:  _____
Theo van der Linde
Chief Financial Officer

2690229 ONTARIO INC.

Per:  _____
Brendan Purdy
President

**SCHEDULE A
AMALGAMATION AGREEMENT**

(Attached)

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT is made as of the ● day of ●, 2020,

AMONG:

TIDAL ROYALTY CORP.,
a corporation incorporated under the laws of The Province of British Columbia
("Tidal");

- and -

2690229 ONTARIO INC.
a corporation incorporated under the laws of the Province of Ontario
("Subco");

- and -

MICHICANN MEDICAL INC.,
a corporation incorporated under the laws of the Province of Ontario
("MichiCann");

WHEREAS MichiCann and Tidal have agreed to combine their businesses and assets pursuant to the Business Combination Agreement;

AND WHEREAS MichiCann and Subco are each incorporated under the OBCA;

AND WHEREAS Subco is a wholly-owned subsidiary of Tidal;

AND WHEREAS the authorized capital of MichiCann consists of an unlimited number of MichiCann Shares, of which ● MichiCann Shares are issued and outstanding at the date hereof as fully paid and non-assessable shares;

AND WHEREAS the authorized capital of Subco consists of an unlimited number of Subco Shares, of which 100 Subco Shares are issued and outstanding at the date hereof as fully paid and non-assessable shares, all of which are owned beneficially and of record by Tidal;

AND WHEREAS pursuant to the Amalgamation, and subject to the terms of the Business Combination Agreement, MichiCann and Subco shall amalgamate and continue as Amalco, which shall become a wholly-owned subsidiary of Tidal, and Tidal shall issue to each MichiCann Shareholder one (1) Tidal Share and one (1) Tidal Series II Preferred Share for each one (1) MichiCann Share held;

AND WHEREAS MichiCann, Tidal and Subco have each made full disclosure to the other of all their respective assets and liabilities;

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties agree as follows:

1. Interpretation

In this Agreement, including the recitals hereto, the following words and expressions shall have the respective meanings ascribed to them below:

“Agreement” means this agreement, its recitals and exhibits, as the same may be amended, modified or supplemented from time to time;

“Amalco” means the corporation resulting from the Amalgamation and continuing the corporate existence of the Amalgamating Corporations;

“Amalco Shareholder” means a registered holder of Amalco Shares, from time to time, and **“Amalco Shareholders”** means all of such holders;

“Amalco Shares” means the common shares in the share capital of Amalco;

“Amalgamating Corporations” means MichiCann and Subco and **“Amalgamating Corporation”** means either of them as applicable;

“Amalgamation” means the amalgamation of the Amalgamating Corporations pursuant to the provisions of the OBCA in the manner contemplated in and pursuant to this Agreement;

“Articles of Amalgamation” means the articles of amalgamation giving effect to the Amalgamation to be filed with the Director appointed under the OBCA pursuant to this Agreement, in the form annexed hereto as Exhibit “A”;

“Business Combination Agreement” means the amended and restated business combination agreement dated March 12, 2020 between MichiCann, Tidal and Subco;

“CDS” means CDS Clearing and Depository Services Inc.;

“Certificate of Amalgamation” means the certificate of amalgamation to be issued by the Director in respect of the Amalgamation;

“Depository” means National Securities Administrators Ltd. at its principal office in Vancouver, British Columbia, which is also the transfer agent and registrar for the Tidal Shares;

“Director” means the Director appointed under Section 278 of the OBCA;

“Dissenting Shareholder” means a registered MichiCann Shareholder who, in connection with the special resolution of the Shareholders which approves and adopts this Agreement, has exercised the right to dissent pursuant to Section 185 of the OBCA in strict compliance with the provisions thereof and thereby becomes entitled to be paid the fair value of his, her or its MichiCann Shares and who has not withdrawn the notice of the exercise of such right as permitted by Section 185 of the OBCA;

“Effective Date” means the date shown on the Certificate of Amalgamation;

“fair value” where used in relation to a MichiCann Share held by a Dissenting Shareholder, means fair value as determined by a court under Section 185 of the OBCA or as agreed between MichiCann and the Dissenting Shareholder;

“In-The-Money Amount” in respect of a MichiCann Option means the amount, if any, by which the aggregate fair market value at that time of the securities subject to the option exceeds the aggregate exercise price of the option;

“**Letter of Transmittal**” means a letter of transmittal to be sent to holders of MichiCann Shares for use in connection with the Amalgamation and in order to receive the Tidal Shares and Tidal Series II Preferred Shares to which they are entitled after giving effect to the Amalgamation;

“**MichiCann Shares**” means the common shares in the capital of MichiCann;

“**MichiCann Shareholder**” means a registered holder of MichiCann Shares, from time to time, and “**MichiCann Shareholders**” means all of such holders.

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**Parties**” means MichiCann, Subco and Tidal, and “**Party**” means each of them as applicable;

“**Person**” means a natural person, partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity, and pronouns have a similarly extended meaning;

“**Subco**” means 2690229 Ontario Inc., a corporation incorporated under the OBCA;

“**Subco Shares**” means the common shares in the capital of Subco;

“**Subco Shareholder**” means the registered holder of Subco Shares, being Tidal;

“**Tidal Name Change**” means, subject to the completion of the Amalgamation, a change in the name of Tidal to “Red White & Bloom Brands Inc.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of Tidal following the Amalgamation;

“**Tidal Series II Preferred Shares**” means the series II preferred shares in the capital of Tidal;

“**Tidal Shares**” means the common shares in the capital of Tidal;

2. Paramountcy

In the event of any conflict between the provisions of this Agreement and the provisions of the Business Combination Agreement, the provisions of this Agreement shall prevail.

3. Agreement to Amalgamate

Each of the Parties hereby agrees to the Amalgamation such that the Amalgamating Corporations shall amalgamate to create and continue as Amalco under the provisions of Section 174 of the OBCA, on the terms and conditions set out in this Agreement.

4. Filing of Articles

Following the approval of this Agreement by the shareholders of the Amalgamating Corporations in accordance with the OBCA, and in accordance with the terms and conditions of the Business Combination Agreement, including the satisfaction or waiver of all conditions precedent set forth in the Business Combination Agreement, MichiCann shall file the Articles of Amalgamation with the Director as provided under the OBCA.

5. Conditions Precedent to the Amalgamation

The Amalgamation is subject to the satisfaction or waiver by the party entitled to make such waiver, of the conditions precedent set forth in Article 7 of the Business Combination Agreement. The

signing and delivery of the Articles of Amalgamation by MichiCann and Subco shall be conclusive evidence that such conditions have been satisfied to the satisfaction of MichiCann and Tidal, or waived by the party entitled to make such waiver, and that MichiCann and Subco may amalgamate in accordance with the provisions of this Agreement.

6. Amalgamation Events

Pursuant to the Amalgamation, on the Effective Date:

- (a) each issued and outstanding MichiCann Share held by each Dissenting Shareholder will become an entitlement to be paid the fair value of such share;
- (b) each issued and outstanding Subco Share shall be exchanged for one (1) fully paid and non-assessable Amalco Share;
- (c) each issued and outstanding MichiCann Share (other than those held by Dissenting Shareholders) shall be exchanged for one (1) fully paid and non-assessable Tidal Share and one (1) fully paid and non-assessable Tidal Series II Preferred Shares;
- (d) each issued and outstanding MichiCann Option and MichiCann Warrant, shall be exchanged, on an equivalent basis, for Resulting Issuer Options and Resulting Issuer Warrants (each as defined in the Business Combination Agreement), provided that in respect of MichiCann Options held by optionholders who acquired such MichiCann Options by virtue of their employment, the exercise price of a Resulting Issuer Option will be increased, if necessary, so that the In-The-Money Amount of the replacement Resulting Issuer Option immediately after the exchange does not exceed the In-The-Money Amount of the MichiCann Option immediately before the exchange;
- (e) as consideration for the issuance of Tidal Shares and Tidal Series II Preferred Shares in exchange for the MichiCann Shares, Amalco shall issue to Tidal one (1) Amalco Share for each Tidal Share and Tidal Series II Preferred Share so issued;
- (f) MichiCann and Subco shall be amalgamated and continue as Amalco;
- (g) all of the property and assets of each of MichiCann and Subco shall be the property and assets of Amalco and Amalco shall be liable for all of the liabilities and obligations of each of MichiCann and Subco, including civil, criminal and quasi criminal, and all contracts, liabilities and debts of Subco and MichiCann;
- (h) all rights of creditors against the property, assets, rights, privileges and franchises of Subco and MichiCann and all liens upon their property, rights and assets shall be unimpaired by the Amalgamation and all debts, contracts, liabilities and duties of Subco and MichiCann shall thenceforth attach to and be enforced against Amalco; and
- (i) no action or proceeding by or against Subco or MichiCann shall abate or be affected by the Amalgamation but, for all purposes of such action or proceeding, the name of Amalco shall be substituted in such action or proceeding in place of Subco or MichiCann, as the case may be.

7. Articles of Amalgamation

The Articles of Amalgamation of Amalco shall be in the form annexed hereto as Exhibit "A".

8. Name

The Name of Amalco shall be "MichiCann Medical Inc." or such other name as mutually agreed to by the Parties.

9. Registered Office

Until changed in accordance with the OBCA, the registered office of Amalco shall be in the Province of Ontario.

10. Authorized Capital

The authorized capital of Amalco shall consist of an unlimited number of Amalco Shares, the rights, privileges, restrictions and conditions attaching to which shall be as set out in the Articles of Amalgamation annexed hereto as Exhibit "A".

11. Share Transfer Restrictions

The Amalco Shares shall be subject to restrictions on transfer as set out in the Articles of Amalgamation annexed hereto as Exhibit "A".

12. Business

There shall be no restrictions on the business which Amalco is authorized to carry on or the powers which Amalco may exercise.

13. Number of Directors

The board of directors of Amalco shall consist of not less than one (1) and not more than ten (10) directors, the exact number of which shall be determined by the directors from time to time.

14. First Directors

The first director of Amalco shall be the persons whose names and addresses for service appear below:

Name	Address	Resident Canada
Brad Rogers	[Redacted]	Yes

The above directors shall hold office from the Effective Date until the first annual meeting of Amalco Shareholders or until his successor is elected or appointed.

15. Special Provisions

Subject to the provisions of the OBCA, the following provisions shall apply to Amalco:

- (a) Without in any way restricting the powers conferred upon Amalco or its board of directors by the OBCA, as now enacted or as the same may from time to time be amended, re-enacted or replaced, the board of directors may from time to time, without authorization of the shareholders, in such amounts and on such terms as it deems expedient:
 - (i) borrow money upon the credit of Amalco;

- (ii) issue, re-issue, sell, pledge, or hypothecate debt obligations of Amalco;
- (iii) give a guarantee on behalf of Amalco to secure performance of an obligation of any person; and
- (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of Amalco owned or subsequently acquired, to secure any obligation of Amalco.

The board of directors may from time to time delegate to a director, a committee of directors or an officer of Amalco any or all of the powers conferred on the board as set out above, to such extent and in such manner as the board shall determine at the time of such delegation.

16. By-laws

The by-laws of Amalco shall be, to the extent not inconsistent with this Agreement, the by-laws of Subco, until repealed or amended.

17. Fractional Shares

No fractional Tidal Shares, Tidal Series II Preferred Shares or Amalco Shares will be issued or delivered to any former MichiCann Shareholders or the former Subco Shareholder otherwise entitled thereto, if any. Instead, the number of Tidal Shares, Tidal Series II Preferred Shares or Amalco Shares issued to each former holder of MichiCann Shares or Subco Shares will be rounded down to the nearest whole number.

18. Stated Capital

The stated capital account in the records of Amalco for the Amalco Shares shall be equal to the paid-up capital (within the meaning of the *Income Tax Act (Canada)*) attributed to the MichiCann Shares and the Subco Shares, determined immediately before the Amalgamation.

An amount equal to the paid-up capital (within the meaning of the *Income Tax Act (Canada)*) attributed to the MichiCann Shares shall be added to the stated capital account maintained by Tidal for the Tidal Shares and the Tidal Series II Preferred Shares as the case may be.

19. Delivery of Securities Following Amalgamation as soon as Practicable After the Effective Date:

- (a) Amalco shall issue certificates representing the appropriate number of Amalco Shares to the former Subco Shareholder. Until delivery of such certificate, the share certificate or certificates representing the Subco Shares held by the former Subco Shareholder will be evidence of the former Subco Shareholder's right to be registered as a shareholder of Amalco. Share certificates formerly representing Subco Shares which are held by the former Subco Shareholder shall cease to represent any claim upon or interest in Subco other than the right of the registered holder to receive the number Amalco Shares to which it is entitled pursuant to the terms hereof; and
- (b) in accordance with normal commercial practice, Tidal shall issue or cause to be issued certificates, direct registration statements or electronic positions within CDS representing the appropriate number of Tidal Shares and Tidal Series II Preferred Shares (post-Tidal Name Change) to the former MichiCann Shareholders (other than Dissenting Shareholders) by: (i) depositing such Tidal Shares and Tidal Series II

Preferred Shares with the Depository and/or the electronic positions representing such Tidal Shares and Tidal Series II Preferred Shares with CDS (in the name of the Depository), as applicable, to satisfy the consideration issuable to such MichiCann Shareholders; and (ii) as soon as reasonably practicable after the Effective Date, causing the Depository to forward to, or hold for pick-up by, each former MichiCann Shareholder that submitted a duly completed Letter of Transmittal or other evidence of entitlement to the Depository, together with the certificate (if any) representing the MichiCann Shares held by such MichiCann Shareholder or such other evidence of ownership of such MichiCann Shares as is satisfactory to the Depository, acting reasonably, (A) the certificates representing the Tidal Shares and Tidal Series II Preferred Shares to which such MichiCann Shareholder is entitled, in accordance with its Letter of Transmittal (or other evidence of entitlement), or (B) confirmation of a non-certificated electronic position transfer in CDS representing the Tidal Shares and the Tidal Series II Preferred Shares to which such MichiCann Shareholder is entitled, in accordance with its Letter of Transmittal. Share certificates formerly representing MichiCann Shares which are held by the former MichiCann Shareholders shall cease to represent any claim upon or interest in MichiCann other than the right of the registered holder to receive the number of Tidal Shares and the Tidal Series II Preferred Shares to which it is entitled pursuant to the terms hereof.

20. Negative Covenants

From the date hereof to and including the Effective Date, each of MichiCann, Subco and Tidal covenants that it will not:

- (a) reserve, allot, create, issue or distribute any of its securities, other than: (i) securities issuable upon the exercise, conversion or exchange of previously issued securities including, in the case of MichiCann, the MichiCann Convertible Securities (all as defined in the Business Combination Agreement); (ii) stock options granted under its stock option plan; (iii) securities to be issued pursuant to employee purchase plans; or (iv) securities to be issued in order to effect the transactions described in the Business Combination Agreement;
- (b) declare or pay dividends on any of its shares other than as has been publicly disclosed as of the date hereof or make any other issue, payment or distribution to the holders of its securities including, without limitation, the issue, payment or distribution of any of its assets or property to such holders;
- (c) authorize or take any action to amalgamate, merge, reorganize, effect an arrangement, liquidate, dissolve, wind-up or transfer all or substantially all of its undertaking or assets to another corporation or entity;
- (d) reclassify any outstanding securities or change such securities into other shares or securities or subdivide, redivide, reduce, combine or consolidate such securities into a greater or lesser number of securities, effect any other capital reorganization or amend the designation of or the rights, privileges, restrictions or conditions attaching to such securities, other than in order to effect the transactions described in the Business Combination Agreement;
- (e) amend its articles or by-laws, other than in order to effect the transactions described in the Business Combination Agreement; or

- (f) enter into any transaction, or take any other action, out of the ordinary course of its business, other than in order to effect the transactions described in the Business Combination Agreement.

21. Termination

Subject to the terms of the Business Combination Agreement, this Agreement may be terminated by the board of directors of each of the Amalgamating Corporations, notwithstanding the approval of this Agreement by the shareholders of the Amalgamating Corporations, at any time prior to the issuance of the Certificate of Amalgamation. If this Agreement is terminated pursuant to this section, this Agreement shall forthwith become void and of no further force and effect.

22. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each Party hereby irrevocably attorns to the jurisdiction of the courts of the Province of Ontario sitting in and for the judicial district of Toronto in respect of all matters arising under or in relation to this Agreement.

23. Further Assurances

Each of the Parties agrees to execute and deliver such further instruments and to do such further reasonable acts and things as may be necessary or appropriate to carry out the intent of this Amalgamation Agreement.

24. Time of the Essence

Time shall be of the essence of this Agreement.

25. Amendments

This Agreement may only be amended or otherwise modified by written agreement executed by the Parties.

26. Counterparts

This Agreement may be signed in counterparts (including counterparts by facsimile), and all such signed counterparts, when taken together, shall constitute one and the same agreement, effective on this date.

IN WITNESS WHEREOF the Parties have executed this Agreement by their duly authorized officers as of the day and year first above written.

TIDAL ROYALTY CORP.

Per: _____
Theo van der Linde
Chief Financial Officer

2690229 ONTARIO INC.

Per: _____
Brendan Purdy
President

MICHICANN MEDICAL INC.

Per: _____
Michael Marchese
President

EXHIBIT "A"
ARTICLES OF AMALGAMATION

(TO BE INSERTED AT THE TIME OF SIGNING THE AMALGAMATION AGREEMENT)

**SCHEDULE B
AMALGAMATION RESOLUTION**

The text of the Amalgamation Resolution which the MichiCann Shareholders approved at the MichiCann Meeting is substantially as follows:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The amalgamation under Section 174 of the Business Corporations Act (Ontario) (the “Amalgamation”) involving MichiCann Medical, Inc. (“MichiCann”) and 2690229 Ontario Inc. (“Subco”), all as more particularly described and set forth in the management information circular (the “Circular”) of MichiCann, is hereby authorized, approved and adopted.
2. The amalgamation agreement (the “Amalgamation Agreement”) between MichiCann and Subco, implementing the Amalgamation, substantially in the form and containing substantially the same terms and conditions as set out in Schedule A to the business combination agreement between MichiCann, Tidal Royalty Corp. (“Tidal”) and Subco dated May 8, 2019 as amended and restated on March 12, 2020 (the “Business Combination Agreement”) (as the Amalgamation Agreement may be, or may have been modified or amended in accordance with its terms) is hereby authorized, approved and adopted.
3. Notwithstanding that this resolution has been passed (and the Amalgamation approved) by the shareholders of MichiCann, the directors of MichiCann are hereby authorized and empowered, without further notice to, or approval of, the shareholders of MichiCann to amend the Business Combination Agreement or the Amalgamation Agreement to the extent permitted by the Business Combination Agreement or the Amalgamation Agreement, or subject to the terms of the Business Combination Agreement, not proceed with the Amalgamation.
4. Any director or officer of MichiCann is hereby authorized and directed for and on behalf of MichiCann to execute, whether under corporate seal of MichiCann or otherwise, and to deliver articles of amalgamation and such other documents as are necessary or desirable to the Director under the OBCA in accordance with the Amalgamation Agreement for filing.
5. Any one or more directors or officers of MichiCann is hereby authorized, for and on behalf and in the name of MichiCann, to execute and deliver, whether under corporate seal of MichiCann or otherwise, all such agreements, forms, waivers, notices, certificate, confirmations and other documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**SCHEDULE C
FUNDAMENTAL CHANGE WRITTEN CONSENT**

The text of the Fundamental Change Written Consent which the Tidal Shareholders will be asked to sign is substantially as follows:

TO: TIDAL ROYALTY CORP. (the “Corporation”)

AND TO: THE DIRECTORS THEREOF

WHEREAS MichiCann Medical Inc. (“MichiCann”) is a company existing under the laws of the Province of Ontario whose material assets consists of its wholly owned subsidiaries Mid-American Growers Inc. and RWB Illinois Inc., a secured convertible debenture for a principal amount of up to US\$114,734,209 dated January 4, 2019 issued by PharmaCo, Inc. (“PharmaCo”) and a put/call option agreement dated January 4, 2019 between MichiCann and the shareholders of PharmaCo.

AND WHEREAS PharmaCo is a company existing under the laws of the State of Michigan and operating in the cannabis industry in the United States, with assets comprised of licensed provisioning centers, licensed cultivation facilities and licensed processing facilities, all in the State of Michigan.

AND WHEREAS the Corporation, its wholly owned subsidiary 2690229 Ontario Inc. and MichiCann have entered into an amended and restated business combination agreement dated March 12, 2020 (the “Business Combination Agreement”), pursuant to which, among other things, the Corporation will complete a business combination transaction with MichiCann by way of a “three-cornered” amalgamation (the “Business Combination”).

AND WHEREAS, as part of the Business Combination, it is currently proposed that the Corporation will, among other things, (a) consolidate its outstanding shares on a 16:1 basis, and (b) change its name to “Red White & Bloom Brands Inc.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of the Corporation.

AND WHEREAS, in connection with the completion of the Business Combination, certain directors and officers of the Corporation will resign and new directors and officers will be appointed as directors and officers of the issuer resulting from the Business Combination (the “Resulting Issuer”) as described in the Business Combination Agreement:

AND WHEREAS pursuant to Policy 8 of the Canadian Securities Exchange (“CSE”), the Business Combination constitutes a “Fundamental Change” (as such term is defined in Policy 8), requiring the Corporation to obtain shareholder approval.

NOW THEREFORE, the undersigned hereby confirms that he, she or it:

1. Consents to the Corporation completing the Business Combination and all other transactions and ancillary matters related thereto to give effect to the Business Combination.
2. Acknowledges that this consent will be filed with the CSE in support of an application with the CSE for approval to the completion of the Business Combination and to qualify the listing of the securities of the Resulting Issuer on the CSE.
3. Acknowledges that notwithstanding the fact that this consent may be signed by the requisite percentage of shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered, if they decide not to proceed with the Business Combination, to

revoke this consent at any time prior to the closing of the Business Combination without further notice to or approval of the shareholders of the Corporation.

4. Acknowledges that he, she or it has received all information that he, she or it has deemed necessary or advisable for purposes of evaluating the Business Combination, the other transactions and ancillary matters related thereto and this consent, and has had the opportunity to ask and have answered any and all questions which he, she or it wished to have answered by the Corporation with respect to the Business Combination, the other transactions and ancillary matters related thereto and this consent, prior to the execution of this consent.

Acknowledges that delivery of a signed copy of this consent by facsimile or email (in PDF form or otherwise) is as valid as a delivery of a signed original, and notwithstanding the date of execution, this consent shall be deemed to be dated as of the date set forth below.

SCHEDULE D
TIDAL SERIES II PREFERRED SHARE CONDITIONS

SEE ATTACHED

TIDAL ROYALTY CORP.

TERMS OF SERIES 2 CONVERTIBLE PREFERRED SHARES

1. Designation and Number of Shares. There shall hereby be created and established a series of preferred shares of Tidal Royalty Corp. (the “**Company**”) designated as “Series 2 Convertible Preferred Shares” (the “**Series 2 Preferred Shares**”). The authorized number of Series 2 Preferred Shares shall be unlimited. Capitalized terms not defined herein shall have the meaning as set forth in Section 18 below. No dividends shall accrue or be payable with respect to the Series 2 Preferred Shares except as set forth in Section 8 below.

2. Ranking. Except with respect to any future series of preferred shares of senior rank to the Series 2 Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company or the Series 2 Preferred Shares and any future series of preferred shares of *pari passu* rank to the Series 2 Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the “**Parity Shares**”), all shares of capital stock of the Company shall be junior in rank to all Series 2 Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company provided same are issued in accordance with the terms hereof including, for greater certainty, the Series 1 Convertible Preferred Shares and the Common Shares (collectively, the “**Junior Shares**”). The rights of all such shares of the Company shall be subject to the rights, powers, preferences and privileges of the Series 2 Preferred Shares set forth herein. For the avoidance of doubt, in no circumstance will a Series 2 Preferred Share have any rights subordinate or otherwise inferior to the rights of shares of Parity Shares or Junior Shares (as defined herein).

3. Issuance of Series 2 Preferred Shares. The Series 2 Preferred Shares may be issued in both certificated and uncertificated form. The Company shall, or shall cause the Transfer Agent to, deliver to each Holder (as defined herein) on the Initial Issuance Date certificates registered in the name of such Holder (or as such Holder may direct prior to the Initial Issuance Date) (“**Certificated Series 2 Preferred Shares**”), a direct registration statement evidencing such number of Series 2 Preferred Shares or an electronic deposit evidencing such number of Series 2 Preferred Shares as the Holder is entitled to (each of the direct registration statement and electronic deposit methods representing “**Uncertificated Series 2 Preferred Shares**”).

4. Conversion. Each Series 2 Preferred Share shall be convertible into validly issued, fully paid and non-assessable Common Shares (as defined herein) on the terms and conditions set forth in this Section 3.

(a) Holder’s Conversion Right. At any time or times on or after the seven month anniversary of the Initial Issuance Date and before the two year anniversary of the Initial Issuance Date, each holder of a Series 2 Preferred Share (each, a “**Holder**” and collectively, the “**Holders**”) shall be entitled to convert any whole number of Series 2 Preferred Shares, including any Series 2 Preferred Shares accrued from dividends issued hereunder, into validly issued, fully paid and non-assessable Common Shares in accordance with Section 4(c) at the Conversion Rate (as defined below). Any Series 2 Preferred Shares outstanding on the two year anniversary of the Initial Issuance Date, including any Series 2 Preferred Shares accrued from dividends, shall automatically convert into fully paid and non-assessable Common Shares at such time in accordance with this Section 4 and without requiring any further action by the Holder.

(b) Conversion Rate. The number of validly issued, fully paid and non-assessable Common Shares issuable upon conversion of each Series 2 Preferred Share pursuant to Section 4(a) shall initially be set at 1:1 (the “**Conversion Rate**”), subject to adjustment as provided herein.

No fractional Common Shares are to be issued upon the conversion of any Series 2 Preferred Shares. If the issuance would result in the issuance of a fraction of a Common Share, the Company shall round such fraction of a Common Share down to the nearest whole Common Share.

(c) Mechanics of Conversion. The conversion of each Series 2 Preferred Share shall be conducted in the following manner:

(i) Holder's Conversion. To convert a Series 2 Preferred Share into validly issued, fully paid and non-assessable Common Shares on any Business Day after the seven month anniversary of the Initial Issuance Date and prior to the two year anniversary of the Initial Issuance Date (a "**Conversion Date**"), a Holder shall deliver (whether via facsimile or otherwise), for receipt on or prior to 11:59 p.m., Vancouver time, on such date, a copy of an executed notice of conversion of the Series 2 Preferred Shares subject to such conversion in the form attached hereto as "Exhibit I (the **Conversion Notice**") to the Company.

(A) A Holder of Certificated Series 2 Preferred Shares shall, within five (5) Business Days following a Conversion Notice of any such Series 2 Preferred Shares as aforesaid, surrender to a nationally recognized overnight delivery service for delivery to the Company the original certificates representing the Series 2 Preferred Shares so converted as aforesaid.

(B) A Holder of Uncertificated Series 2 Preferred Shares evidenced by a direct registration statement shall be deemed to have surrendered any such Series 2 Preferred Shares upon receipt by the Company of the Conversion Notice.

(C) A Holder of Uncertificated Series 2 Preferred Shares evidenced by a security entitlement in respect of such Series 2 Preferred Shares in the book entry registration system who desires to convert Series 2 Preferred Shares must do so by causing a Book Entry Participant to deliver to the Depository the Conversion Notice on behalf of the Holder. Forthwith upon receipt by the Depository, the Depository shall deliver to the Transfer Agent confirmation of its intention to convert Series 2 Preferred Shares in a manner acceptable to the Transfer Agent, including by electronic means through a book based registration system, including CDSX. By causing a Book Entry Participant to deliver a Conversion Notice to the Depository, a Holder shall be deemed to have irrevocably surrendered his or her Series 2 Preferred Shares so converted and appointed such Book Entry Participant to act as his or her exclusive settlement agent with respect to the conversion of the Series 2 Preferred Shares and the receipt of Common Shares in connection with the obligations arising from such conversion. Any Conversion Notice which the Depository determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no force and effect and the conversion to which it relates shall be considered for all purposes not to have been converted thereby. A failure by a Book Entry Participant to convert or to give effect to the settlement thereof in accordance with the Holder's instructions will not give rise to any obligations or liability on the part of the Company or Transfer Agent to the Book Entry Participant or the Holder.

(ii) Company's Response. On or before the fifth (5th) Business Day following the date of receipt by the Company of the original certificates representing the Series 2 Preferred Shares subject to the Conversion Notice (in the case of Certificated Series 2 Preferred Shares) or a duly completed Conversion Notice (in the case of Uncertificated Series 2 Preferred Shares), the Company shall issue and deliver, or cause to be issued and delivered (via reputable overnight courier, as applicable) as specified in such Conversion Notice, a certificate, direct registration statement or electronic deposit, registered in the name of such Holder or its designee, for the number of Common Shares to which such Holder shall be entitled. In the case of Certificated Series 2 Preferred Shares, if the number of Series 2 Preferred Shares represented by the Series 2 Preferred Share certificate(s) submitted for conversion pursuant to this Section 4(c) is greater than the number of Series 2 Preferred Shares being converted,

then the Company shall issue and deliver to such Holder (or its designee) a new Series 2 Preferred Share certificate representing the number of Series 2 Preferred Shares not converted.

(iii) Record Holder. The Person or Persons entitled to receive the Common Shares issuable upon a conversion of Series 2 Preferred Shares shall be treated for all purposes as the record holder or holders of such Common Shares on the Conversion Date.

(iv) Withholding Tax. The Company will be entitled to deduct and withhold from any conversion of Series 2 Preferred Shares, and to otherwise recover from the Holder the full amount of taxes or other additional amounts required to be deducted or withheld by the Company under applicable laws.

5. Adjustments.

(a) Adjustment of Conversion Rate upon Subdivision or Combination of Common Shares. If the Company at any time on or after the Initial Issuance Date subdivides (by any share split, share dividends, recapitalization or otherwise) its outstanding Common Shares into a greater number of shares, the Conversion Rate in effect immediately prior to such subdivision will be proportionately increased. If the Company at any time on or after the Initial Issuance Date combines (by combination, reverse share split or otherwise) its outstanding Common Shares into a smaller number of shares, the Conversion Rate in effect immediately prior to such combination will be proportionately decreased. Any adjustment pursuant to this Section 5 shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this Section 5 occurs during the period that a Conversion Rate is calculated hereunder, then the calculation of such Conversion Rate shall be adjusted appropriately to reflect such event.

(b) Rights Upon Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under these terms in accordance with the provisions of this Section 5(b) pursuant to written agreements, agreeing to deliver to each holder of Series 2 Preferred Shares in exchange for such Series 2 Preferred Shares a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to these terms and having similar ranking to the Series 2 Preferred Shares. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of these terms and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under these terms and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein and therein. In addition to the foregoing, upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to each Holder confirmation that there shall be issued upon conversion of the Series 2 Preferred Shares at any time after the consummation of such Fundamental Transaction, in lieu of the Common Shares (or other securities, cash, assets or other property (except such items still issuable under Section 5(a), which shall continue to be receivable thereafter)) issuable upon the conversion of the Series 2 Preferred Shares prior to such Fundamental Transaction, such publicly traded common shares (or their equivalent) of the Successor Entity (including its Parent Entity) that each Holder would have been entitled to receive upon the happening of such Fundamental Transaction had all the Series 2 Preferred Shares held by each Holder been converted immediately prior to such Fundamental Transaction (without regard to any limitations on the conversion of the Series 2 Preferred Shares contained herein), as adjusted in accordance with the provisions herein. The provisions of this Section 5(b) shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of the Series 2 Preferred Shares.

6. Authorized Common Shares. The Company shall reserve and authorize for issuance such number of Common Shares as required to satisfy the conversion of each Series 2 Preferred Share. So long as any of the Series 2 Preferred Shares are outstanding, the Company shall take all action necessary to reserve and authorize for issuance such number of Common Shares as required to satisfy the conversion of the number of outstanding Series 2 Preferred Shares, as of any given date, at the then applicable Conversion Rate.

7. Voting Rights. Holders of Series 2 Preferred Shares shall have voting rights and are entitled to vote on a matter with holders of Common Shares (and Series 1 Preferred Shares if required by law or otherwise entitled to vote with the holders of Common Shares), voting together as one class. Each Series 2 Preferred Share shall entitle the holder thereof to cast that number of votes per share as is equal to the number of Common Shares into which it is then convertible using the record date for determining the shareholders of the Company eligible to vote on such matters as the date as of which the Conversion Rate is calculated. Holders of the Series 2 Preferred Shares shall be entitled to written notice of all shareholder meetings or written consents (and copies of proxy materials and other information sent to shareholders), which notice shall be provided pursuant to the Company's bylaws and applicable law.

8. Dividends. Holders of Series 2 Preferred Shares shall be entitled to receive, and the Company shall pay thereon, a fixed dividend equal to 5.0% per annum, calculated monthly and payable in Series 2 Preferred Shares. Upon conversion of Series 2 Preferred Shares, the dividend shall be calculated *pro rata* as at the most recently completed month prior to the Conversion Date. Holders of Series 2 Preferred Shares shall be entitled to receive such dividends paid and distributions made to the holders of the Common Shares to the same extent as if such Holders had converted each Series 2 Preferred Share held by them into Common Shares and had held such Common Shares on the record date for such dividends and distributions. Payment under the preceding sentence shall be made concurrently with the dividend or distribution to the holders of Common Shares. The Company will be entitled to deduct and withhold from any dividends paid in respect of Series 2 Preferred Shares, and to otherwise recover from the Holder the full amount of taxes or other additional amounts required to be deducted or withheld by the Company under applicable laws.

9. Liquidation. Dissolution, Winding-Up. In the event of a Liquidation Event, the Holders shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its shareholders (the "**Liquidation Funds**"), before any amount shall be paid to the holders of any Junior Shares, an amount per Series 2 Preferred Share equal to the amount per share such Holder would receive if such Holder converted such Series 2 Preferred Shares into Common Shares immediately prior to the date of such payment, provided that if the Liquidation Funds are insufficient to pay the full amount due to the Holders and holders of Parity Shares, then each Holder and each holder of Parity Shares shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such Holder and such holder of Parity Shares as a liquidation preference, in accordance with their respective terms, as a percentage of the full amount of Liquidation Funds payable to all holders of Series 2 Preferred Shares and all holders of Parity Shares. To the extent necessary, the Company shall cause such actions to be taken by each of its Subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Holders in accordance with this Section 8. All the preferential amounts to be paid to the Holders under this Section 8 shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any Liquidation Funds of the Company to the holders of shares of Junior Shares in connection with a Liquidation Event as to which this Section 8 applies.

10. Vote to Change the Terms of or Issue Series 2 Preferred Shares. In addition to any other rights provided by law, except where the vote or written consent of the holders of a greater number of shares is required by law or by another provision of the constating documents of the Company, without first obtaining the affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the Required Holders, voting together as a single class, the Company shall not: (a) amend or repeal any provision of, or add any provision to, the constating documents of the Company, or file any certificate of amendment, if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit, of the Series 2 Preferred Shares, regardless of whether any such action shall be by means of amendment to the constating documents of the Company or by merger, consolidation or otherwise.

11. Lost or Stolen Certificates. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any certificates representing Series 2 Preferred Shares (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of an indemnification undertaking by the applicable Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of the certificate(s), the Company shall execute and deliver new certificate(s) of like tenor and date.

12. Remedies, Other Obligations, Breaches and Injunctive Relief. The remedies provided in these terms shall be cumulative and in addition to all other remedies available under these terms, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy. Nothing herein shall limit any Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms hereof. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by a Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder may cause irreparable harm to the Holders and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, each Holder shall be entitled, in addition to all other available remedies, to seek an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required, to the extent permitted by applicable law. The Company shall provide all information and documentation to a Holder that is reasonably requested by such Holder to enable such Holder to confirm the Company's compliance with the terms and conditions of these terms.

13. Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its constating documents or through any reorganization, transfer of assets, consolidation, merger, plan of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms hereof, and will at all times in good faith carry out all the provisions of these terms and take all action as may be reasonably required to protect the rights of the Holders. Without limiting the generality of the foregoing or any other provision of these terms, the Company (i) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Common Shares upon the conversion of Series 2 Preferred Shares and (ii) shall, so long as any Series 2 Preferred Shares are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued Common Shares, solely for the purpose of effecting the conversion of the Series 2 Preferred Shares, the maximum number of Common Shares as shall from time to time be necessary to effect the conversion of the Series 2 Preferred Shares then outstanding (without regard to any limitations on conversion contained herein).

14. Failure or Indulgence Not Waiver. No failure or delay on the part of a Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

15. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, electronic mail, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, or electronic mail at the address or number designated below (if delivered on a Business Day during normal business hours where such notice is to be received), or the first Business Day following such delivery (if delivered other than on a Business Day during normal business hours where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be: (i) if to the Company, to 789 West Pender Street, Suite 810, Vancouver, BC V6C 1H2; and if to the Holder to the address on the register for the Series 2 Preferred Shares.

16. Series 2 Preferred Shares Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holders), a register for the Series 2 Preferred Shares, in which the Company shall record the name, address, electronic mail and facsimile number of the Persons in whose name the Series 2 Preferred Shares have been issued, as well as the name and address of each transferee. The Company may treat the Person in whose name any Series 2 Preferred Shares is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any properly made transfers.

17. Shareholder Matters; Amendment.

(a) Shareholder Matters. Any shareholder action, approval or consent required, desired or otherwise sought by the Company pursuant to the applicable laws, the constating documents of the Company, the terms hereof or otherwise with respect to the issuance of Series 2 Preferred Shares may be effected by written consent of the Company's shareholders or at a duly called meeting of the Company's shareholders, all in accordance with applicable laws.

(b) Amendment. The terms or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose of the Required Holders, or written consent without a meeting in accordance with the applicable laws of all Holders, voting separately as a single class, and with such other shareholder approval, if any, as may then be required by applicable laws and constating documents of the Company.

18. Certain Defined Terms. For purposes of these terms, the following terms shall have the following meanings:

(a) **"Book Entry Participant"** means an institution that participates directly or indirectly in the Depository's book entry registration system for the Series 2 Preferred Shares.

(b) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of Vancouver are authorized or required by law to remain closed.

(c) “**CDSX**” means the settlement and clearing system of CDS Clearing and Depository Services Inc. for equity and debt securities in Canada.

(d) “**Common Shares**” means the common shares in the capital of the Company, as constituted from time to time.

(e) “**Depository**” means CDS Clearing and Depository Services Inc. or such other person as is designated in writing by the Company to act as depository in respect of the Series 2 Preferred Shares.

(f) “**Fundamental Transaction**” means:

(i) the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares, other than as a result of the conversion of the Series 2 Preferred Shares hereunder;

(ii) the completion by the Company of an amalgamation, arrangement, merger or other consolidation or combination of the Company with another corporation or entity which requires approval of the shareholders of the Company pursuant to its constating documents, such that Persons would beneficially own, or exercise control or direction over, voting securities of the Company carrying the right to cast more than 50% of the votes attaching to all voting securities, and immediately following such an event, the directors of the Company immediately prior to such event do not constitute a majority of the board of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;

(iii) the election at a meeting of the Company’s shareholders of that number of Persons which would represent a majority of the board of directors of the Company, as directors of the Company who are not included in the slate for election as directors proposed to the Company’s shareholders by the Company; or

(iv) the sale, lease or exchange of all or substantially all of the property of the Company other than in the ordinary course of business;

(g) “**Initial Issuance Date**” means the date upon which the Series 2 Preferred Shares are issued by the Company.

(h) “**Liquidation Event**” means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Company or such Subsidiaries the assets of which constitute all or substantially all of the assets of the business of the Company and its Subsidiaries, taken as a whole.

(i) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(j) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(k) “**Required Holders**” means the holders of at least 50.1% of the outstanding Series 2 Preferred Shares.

(l) “**Subsidiary**” means any Person in which the Company, directly or indirectly, (i) owns a majority of the outstanding capital shares or holds a majority of equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person.

(m) “**Successor Entity**” means the Person (or, if so elected by the Required Holders, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Required Holders, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(n) “**Transaction Documents**” means these terms and each of the other agreements and instruments entered into or delivered by the Company or any of the Holders in connection with the transactions contemplated thereby, all as may be amended from time to time in accordance with the terms hereof or thereof.

(o) “**Transfer Agent**” means National Securities Administrators Ltd. acting as transfer agent or such other transfer agent as appointed by the Company.

TIDAL ROYALTY CORP.

CONVERSION NOTICE

Reference is made to the terms (the "Terms"), of the Series 2 Convertible Preferred Shares of Tidal Royalty Corp. (the "Series 2 Preferred Shares"). In accordance with and pursuant to the Terms, the undersigned hereby elects to convert the number of Series 2 Preferred Shares of Tidal Royalty Corp., a British Columbia corporation (the "Company"), indicated below into common shares (the "Common Shares") of the Company, as of the date specified below.

Date of Conversion: _____

Number of Series 2 Preferred Shares to be converted: _____

Share certificate no(s). of Series 2 Preferred Shares to be converted (or account number if held in electronic book entry system): _____

Tax ID Number (If applicable): _____

Conversion Rate: _____

Number of shares of Common Shares to be issued: _____

Please issue the Common Shares into which the Series 2 Preferred Shares are being converted in the following name and to the following address:

Issue to: _____

Address: _____

Telephone Number: _____

Facsimile Number and / or e-mail address: _____

Holder: _____

By: _____

Title: _____

Dated: _____

Account Number (if electronic book entry transfer): _____

Transaction Code Number (if electronic book entry transfer): _____

APPENDIX K

Investment Policy

RED WHITE & BLOOM BRANDS INC.

(the “Company”)

INVESTMENT POLICY

Summary

The Company is a publicly traded investment company whose primary objective is to invest its funds for purposes of generating returns from capital appreciation and investment income. It intends to accomplish these goals through the identification of and investment in securities of private and publicly listed entities that are involved in a variety of industries, with a focus on medical or recreational cannabis and legal hemp CBD products.

Investments will be acquired and held for short-term gains, income generation, or long-term capital appreciation, dependent upon the specific investment. The paramount goal of the Company will be to generate maximum returns from its investments.

The Company expects to establish an investment committee to oversee the identification, review and implementation of investments. The Company may also engage an investment manager to assist with identifying and executing upon investments, as well as monitoring investments over time.

While the Company’s focus will be on making investments in businesses that are involved in the above mentioned sectors, the actual composition of the Company’s investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of its investments, developments in existing and potential markets, and risk assessment. The Company’s investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of the investment committee or senior management and approval by the Board. The Company’s board of directors reserves the right and authority to change the general or specific focus of the Company’s investments over time; and reserves the right to diversify the Company’s portfolio of investments by industry, geography, and investment type without prior announcement or notice being given.

The Company anticipates re-investing the profits realized from its investments to further the growth and development of the Company’s investment portfolio. The declaration and payment of dividends to shareholders will become a priority once Company has achieved steady or continuous cash flow from its investments.

Investment Objectives

The principal investment objectives of the Company are as follows:

- to seek high return investment opportunities by investing directly in a variety of securities or interests of public and private companies and assisting in early stage projects by providing financial support;
- to identify early stage opportunities with attractive risk/reward ratios;
- to preserve its capital and limit the downside risk of its capital;
- to achieve a reasonable rate of capital appreciation;
- to minimize the risk associated with each form of investment; and

- to seek liquidity in its investments.

Investment Strategy

To achieve the investment objectives as stated above, while mitigating risk, the Company, when appropriate, shall employ the following disciplines:

- The Company will obtain detailed knowledge of the relevant business in which the investment will be made, as well as the target company (“Investee”).
- The Company will seek to retain management or consultants having specific industry expertise within the industry or sector in which an investment is contemplated or has been made.
- The Company will work closely with the Investee’s management and board, and in some cases, assist in sourcing experienced and qualified persons to add to the board and/or management of the Investee. In certain circumstances, a representative of the Company may be appointed to an Investee’s board of directors.
- Investments may include:
 - equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, streaming investments, net profit interests and other hybrid instruments;
 - acquisitions, partnership interests, or joint venture interests with Investees;
 - acquisition of a business or its assets, directly or via a wholly owned subsidiary, and subsequent managing or assisting in developing the underlying business;
 - capital investment in private companies, and assistance in moving them to an acquisition or merger transaction with a larger company or to the public stage through initial public offering, reverse takeover or other liquidity event;
 - early stage equity investments in public companies believed to have favourable management and business; and
 - where appropriate, acting as a third party advisor for opportunities in target or other companies, in exchange for a fee.
- The Company will have flexibility on the return sought, while seeking to recapture its capital within a reasonable period following the initial investment(s).
- The Company will seek to maintain the ability to actively review and monitor all of its investments on an ongoing basis. Investees will be required to provide continuous disclosure of operations and financial status. From time to time, the Company may insist on board or management representation on Investees.
- The Company will continually seek liquidity opportunities for its investments, with a view to optimizing the return on its investment; recognizing that no two investments will be alike in terms of the duration held or the best means of exiting an investment.
- The Company may acquire interests in Investees within the framework of the above guidelines, which from time to time may result in the Company holding a control or complete ownership position in an Investee.
- The Company may utilize the services of both independent organizations and securities dealers to gain additional information on target investments where appropriate.

Notwithstanding the foregoing, from time to time, the Board may authorize such investments outside of these disciplines as it sees fit for the benefit of the Company and its shareholders.

Pending investment of available funds, monies will be held in bank or trust accounts with Schedule A financial institutions.

Investments

Principal Targets: All aspects of the medical and recreational cannabis sectors, including entities involved in providing goods or services to the industry.

Composition: The actual composition of the Company's investment portfolio will vary over time depending on its assessment of a number of factors, including the global development of the cannabis industry. Management will not be bound or restricted as to the geographic, percentage diversity, number of investments, or other restrictive parameters; but may exercise flexibility in its approach to and investment of available funds.

Types: The Company will maintain a flexible position with respect to the form of investments taken, and may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, joint ventures, partnerships, net profit interests and other hybrid instruments.

Jurisdictions: While the Company initially intends to focus on investments primarily located within the United States, it acknowledges that the industries and sectors in which it intends to invest may become global in nature, and as such anticipates that a material percentage of its investments may be in entities formed in jurisdictions outside of the United States. All jurisdictions where cannabis is legal will be permissible for investment consideration depending on the risk assessment of the Board and management at the time the investment is made and the risk-reward relationship associated with each investment in a particular jurisdiction, including the purchase of securities listed on foreign stock exchanges.

Timing: The timing of the Company's investments will depend, in part, on available capital at any particular time, and the investment opportunities identified and available to the Company. Subject to the availability of capital, the Company intends to create a suitably diversified portfolio of investments and not retain available cash. Management will not be bound or restricted as to the timing to invest available capital; but will seek to fully deploy available capital in as expeditious a manner as possible.

Notwithstanding the above, the Company must invest at least 60% of its available capital resources in Investees, in accordance with the investment objectives and strategy outline herein, at all times (subject to a reasonable period of time following each raising of additional capital). In the event it fails to meet this requirement for a period of 180 days or more, it will forthwith call a meeting of its shareholders for the purpose of seeking majority of the minority approval (excluding management and insiders) to one of (i) continue to seek investment opportunities in accordance with the investment policies and strategies outlined herein, or (ii) discontinue its operations as an investment company and seek alternative opportunities, or (iii) liquidate and discontinue all operations and return the proceeds therefrom to the minority shareholders as a return of capital or cash dividend.

Size: The Company will not be bound or restricted as to the overall size of its investment portfolio. The Company may raise additional funds continuously for purposes of expanding its investment portfolio; or may choose to limit its size based on available management time or investment opportunities. Nor will the Company be limited as to the size of any particular investment it may make or the percentage interest any one investment may be of the Company's overall portfolio. As such, the Company may hold a

material or majority of its investments in one Investee or a relatively few number of Investees. Further, the Company will not be limited as to the percentage interest it may hold in any Investee, which may result in the Company holding a control position or even complete ownership of an Investee.

Investee Structures: The Company will not be bound or restricted as to the nature or structure of Investees. Investees may be public or private corporations, partnerships, joint ventures or other legal entities.

Compliance: The Company will use its reasonable commercial efforts to ensure that with respect to every investment made by the Company that the Investee is in full compliance with all applicable regulatory requirements enacted by the applicable regulatory authorities in the jurisdiction in which it operates.

Management Participation

The Company may, from time to time, seek a more active role in Investees, and provide such entities with financial and personnel resources, as well as strategic counsel. The Company may also ask for board representation in cases where it makes a significant investment in the Investee. The Company's nominee(s) shall be determined by the Board as appropriate in such circumstances.

Registration Status

The Company will aim to structure its investments in such a way that the Company is not deemed to be either an investment fund or mutual fund, as defined by applicable securities laws, thereby avoiding the requirement to register as an investment fund manager or investment advisor.

Conflicts of Interest

The Company recognizes that its directors, officers are or may be involved in other financial, investment and professional activities which may on occasion cause a conflict of interest with their duties to the Company. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including Investees. These persons may also engage in transactions with the Company where any one or more of them is acting in a capacity as financial advisor, broker, intermediary, principal, or counterparty, provided that such transactions are carried out on terms similar to those which would apply in a like transaction between parties not connected with any one of them and such transactions are carried out on normal commercial terms as if negotiated at arm's length.

The Company has no restrictions with respect to investing in Investees in which a director or member of management may already have an interest. However, directors and senior officers will be required to disclose any conflicts of interest, including holding any interest in a potential investment. Further, where a conflict is determined to exist, the person having a disclosable interest shall abstain from making further decisions or recommendations concerning such matter, and any potential investments where there is a material conflict of interest involving an employee, officer or director of the Company may only proceed after receiving approval from the disinterested directors of the Board.

The Company will also be subject to "related party" transaction policies of the securities exchange(s) on which its shares are listed for trading. Such policies may require disinterested shareholder approval and valuations for certain investment transactions.

Prior to making any investment commitment, the Company shall adopt procedures for checking for potential conflicts of interest, which shall include but not be limited to a circulation of the names of a

potential target corporation and its affiliates to the Board and management.

Procedures and Implementation

The Board may appoint an Investment Committee (the “**Committee**”) to be responsible for assisting the Board in discharging the Board’s oversight responsibilities relating to investment opportunities. These individuals would be expected to have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments may be identified.

If appointed, prospective investments will be channeled through the Committee. The Committee will make an assessment of whether each proposal fits with the investment and corporate strategy of the Company in accordance with the investment objectives and strategy set out herein, and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside professional consultants.

The Company will seek to obtain detailed knowledge of the Investee and its business including its management team, quality of asset(s), and associated risks, as applicable.

Once a decision has been reached to recommend investing in a particular situation, a summary of the rationale behind the investment decision will be prepared by the Committee and submitted to the Board. This summary is expected to include, among other things, the estimated return on investment, timeline of investment, guidelines against which future progress can be measured, and risks associated with the investment.

All investments will be submitted to the Board for final approval. The Committee will monitor the Company’s investment portfolio on an ongoing basis, and will be subject to the direction of the Board. The Committee will present an overview of the state of the investment portfolio to the Board on a quarterly basis.

The representative(s) of the Company involved in negotiating the structure of the Company’s investment will be determined in each case by the circumstances of the investment opportunity.

Amendment

The Company’s investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of the investment committee or senior management and approval by the Board.

Dividends

The Company does not anticipate the declaration of dividends to shareholders during its initial stages and plans to reinvest the profits of its investments to further the growth and development of the Company’s investment portfolio. As part of the Company’s overall objective of maximizing returns on its investments, it will seek to maximize value to its shareholders. As such the declaration and payment of dividends to shareholders may become a priority once Company has achieved steady or continuous cash flow from its investments.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Red White & Bloom Brands Inc. hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to the Red White & Blooms Brands Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated this 1st day of June, 2020.

"Brad Rogers"

Brad Rogers
Chief Executive Officer

"Theo van der Linde"

Theo van der Linde
Chief Financial Officer

"Brendan Purdy"

Brendan Purdy
Director

"Michael Marchese"

Michael Marchese
Director