NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

Management's Discussion and Analysis

For the fourteen-months ended December 31, 2019

(Expressed in Canadian dollars unless stated otherwise)

GENERAL

The following Management's Discussion and Analysis ("MD&A") has been prepared by management and is provided to enable readers to assess the results of operations and financial condition of Nabis Holdings Inc. (formerly Innovative Properties Inc.) ("Nabis") for the fourteen-months ended December 31, 2019. This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements and related notes for the fourteen-months ended December 31, 2019. The terms "Nabis", "Innovative", the "Company", "we", "us", and "our" in the following MD&A refer to Nabis Holdings Inc. All amounts, unless noted otherwise, are presented in Canadian dollars and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Effective from the current year, the Company changed its fiscal year end from October 31st to December 31st in order to be better aligned with their industry peers, as well as facilitate efficiencies in the administration, accounting and production of the annual audited financial statements. As a result of this change, the current fiscal year is a fourteen-month period from November 1, 2018 to December 31, 2019 and the comparative amounts representing a twelve-month period from November 1, 2017 to October 31, 2018 are not entirely comparable.

The financial statements, along with additional information on the Company, are available on SEDAR at www.sedar.com. The Board of Directors of the Company under the recommendation of its Audit Committee has approved the contents of this MD&A, and this report covers other relevant information available up to July 3, 2020.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements or forward-looking information within the meaning of applicable Canadian securities laws. Forward looking statements are frequently, but not always, identified by words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions or statements (including negative variations) suggesting that events, conditions or results "will", "may", "could", or "should" occur or be achieved. Forward-looking statements are statements concerning the Company's current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that: (i) any of the assumptions used in management estimates turn out to be incorrect, incomplete or flawed in any respect; (ii) operations are disrupted or suspended due to acts of god, unforeseen government actions or other events; (iii) the Company experiences the loss of key personnel; (iv) the Company's operations are adversely affected by other political, military or terrorist activities; (v) the Company becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or (vi) the Company is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Company. Other factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver their services in a timely manner. Other risks are more fully described under the heading " Financial Risk Management and Capital Management" below. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company assumes no obligation to update such forward-looking statements in the future, except as required by law. For the reasons set forth above, investors should not place undue reliance on the Company's forward-looking statements.

NON-IFRS FINANCIAL MEASURES

The Company's financial statements are prepared using International Financial Reporting Standards ("IFRS"); whereas, this MD&A refers to certain non-IFRS measures such as Adjusted EBITDA and EBITDA (defined under the "Non-IFRS Financial Measures Definitions" section of this report). Non-IFRS measures are used externally to provide a supplemental measure of the Company's operating performance, facilitate comparisons, and enable analysis of the Company's ability to meet future capital and working capital requirements. Management uses them internally to prepare operating budgets and assess performance. These measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

COMPANY OVERVIEW

Nabis Holdings Inc. (formerly Innovative Properties Inc.) ("Nabis" or the "Company") was formed by amalgamation under the Canada Business Corporations Act on October 31, 2002. The amalgamated entity was named "Innovative Properties Inc." and its common shares became listed and posted for trading on the TSX Venture Exchange under the symbol "INR".

On September 2, 2014, the Company announced that it had received final approval to list its common shares on the Canadian Securities Exchange ("CSE"). The Company's common shares commenced trading on the CSE effective September 3, 2014, under the symbol "INR". It received consent from the Toronto Venture Stock Exchange to voluntarily delist its shares effective upon the closing of markets on September 5, 2014.

On May 29, 2019, the Company changed its name to Nabis Holdings Inc. and CSE ticker symbol to "NAB". Nabis is a Canadian investment issuer that invests in high quality cash flowing assets across multiple industries, including real property and all aspects of the U.S. and international cannabis sector. The Company is focused on investing across the entire vertically integrated aspects of the space with a focus on revenue generation, EBITDA and growth.

On November 13, 2019, the Company announced that its common stock commenced trading on the OTCQB Venture Market in the U.S. under the symbol "NABIF". The Company also announced that the Board of Directors had approved to change its fiscal year from October 31 to December 31, effective in 2019.

The Company has incurred losses and has had negative cash flows from operations from inception that have primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. As at December 31, 2019, the Company had a working capital deficiency of $12,283,393 and an accumulated deficit of $32,968,082. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, through the private placement of common shares, issuance of loans and convertible loans.

Highlights for the Company during the fourteen-month period ended December 31, 2019 and up to the date of the MD&A include the following:

MICHIGAN:

- February 26, 2019 – ***Nabis announced their first investment in Bangor City, Michigan,*** that has municipal approvals for ten Cultivation licenses and one Processing license. This 23-acre investment will be the future

home of a cultivation and production facility to service the Company's growing portfolio of cannabis investments in the state of Michigan;

- April 4, 2019– ***Nabis announced the closing of two municipally approved Provisioning Centres in the State of Michigan – Muskegon and Bangor City.*** The investments are strategically located properties that have municipal approvals for provisioning centres in Muskegon and Bangor. The existing Municipal approvals with respect to the properties will expedite the State licensing process for dispensary locations under the new recreational regime in Michigan, once build out of the investments is complete. Michigan represents one of the largest medical cannabis markets by registered medical patients in the U.S., having originally passed the Michigan Marijuana Act in 2008;

- April 10, 2019 - ***Nabis announced the completion of two additional investments in municipally approved Provisioning Centres located in Constantine and Battle Creek, Michigan.*** The Company now has five investments in the state of Michigan;

- November 18, 2019 – ***Nabis announced the completion of two additional investments in Emment Township and Kawkawlin, Michigan***. The Company now has seven cannabis investments in the state of Michigan.

WASHINGTON:

- May 30, 2019 – ***Nabis announced their wholly-owned subsidiary completed the purchase of cannabis assets in the state of Washington.*** The Company agreed to purchase certain assets from PDT Technologies LLC, including extraction and production equipment and rights to lease its current production facility;

ARIZONA:

- August 12, 2019 ***– Nabis announced the signing of a Definitive Agreement to acquire vertically integrated assets in Arizona.*** The Company acquired 100% of the membership units of a licensed medical marijuana business in the state of Arizona which operates Emerald Dispensary and Infusion Edibles. The dispensary in Phoenix, has been operating since 2015 with proprietary branded products and wholesale operations, including and established distribution network for their Infusion Edibles products serving more than 50% of the dispensaries in Arizona. This transaction effectively closed for accounting purposes on October 10, 2019;

- September 10, 2019 – ***Nabis announced the expansion of their Arizona footprint with the acquisition of a cultivation, fulfillment and production facility.*** The 44,000 square ft. facility is located on 2.5 acres of total land and is one of the largest industrial warehouses in Verde Valley. The facility's 56-foot ceiling height clearance provides ample room for doubling growth. Acting as the hub of Nabis' Arizona operations', the facility will play an integral role in the expansion of the Company's business operations, adding to its portfolio of vertically integrated assets in Arizona. Both the zoning verification letter and business license to cultivate marijuana in the town of Camp Verde were secured with the sale;

- January 20, 2020 – ***the Company's wholly-owned subsidiary, Nabis Hemp Holdings Inc. announced that they have secured a full hemp license in Arizona.*** The Company successfully secured all five types of hemp licenses available, including licenses to: Nurse; Grow; Harvest; Transport and Process. Obtaining these hemp licenses will give the Company the ability to manufacture their own CBD oil extracts for the BIS and BIS+ line of products, allowing for better cost control and increased margins and profitability;

- January 28, 2020 – ***Nabis announced they entered into a binding memorandum of understanding ("MOU") with Panaxia Pharmaceutical Industries, Ltd. ("Panaxia") to form a joint venture to launch multiple pharma grade THC and CBD cannabis products in Arizona.*** Under the terms of the MOU, Panaxia will be providing proprietary pharma grade cannabis-based products that have proven to be in high demand in other states in the U.S. including New Mexico, Colorado and California. The products will be produced in the first operating EU GMP facility in Arizona, under Nabis licenses, located at Nabis' "Camp Verde" facility. Nabis will provide the raw materials for production of the products and will also be responsible for sales, marketing and distribution through their already established dispensary and whole-sale channels which serve more than 50% of Arizona dispensaries. Panaxia shall be responsible for the production, clinical affairs and quality. All products of the joint venture will be sold under the Panaxia brand, of which Nabis owns 50% in Arizona;

FINANCING:

- March 26, 2019 ***– Nabis announced the closing of a $35 million private placement of debenture units.*** Each Debenture Unit is comprised of $1,000 principal amount of unsecured convertible debentures and 1,111 share purchase warrants of Nabis. Each warrant shall be exercisable to acquire one common share of Nabis at an exercise price of $1.10 per share; unexercised warrants expire on March 26, 2022. The convertible debentures mature on March 26, 2022, bear interest at 8% annually and are convertible, at the holder's option, into common shares any time prior to the maturity date at a conversion price of $0.90 per common share;

CORPORATE DEVELOPMENT:

- May 1, 2019 – ***Nabis announced DTC Eligibility for the US Markets.*** Securing DTC eligibility improves the Company's investment appeal to the U.S. investment community and provides investors with the ability to electronically transfer between brokerages in the U.S. This is significantly more convenient and provides existing investors the benefit of greater liquidity and execution speeds, while attracting new investors to gain access that may have been previously restricted from investing in the Company; and

- November 13, 2019 – ***Nabis commences trading on the OTCQB® Venture Market in the US under the ticker symbol "NABIF".*** The OTCQB® Venture Market will provide the Company's current and future shareholder base with increased visibility and transparency through high-quality disclosure, transparent trading and ease of access to Company information. Trading on the OTCQB® will enhance the Company's presence with U.S. investors, while generating more liquidity for the Company's common shares.

OVERALL PERFORMANCE

During the year ended December 31, 2019, the Company's primary focus was to secure cannabis assets in limited license states in the U.S., increase revenue and profitability at the operational dispensary in Phoenix, Arizona, and raise sufficient capital to build out assets so they become operational. For the fourteen months ended December 31, 2019, retail and wholesale revenues were $2,232,396 and were primarily earned from the dispensary in Phoenix which was acquired October 10, 2019. (October 31, 2018 - $nil).

SELECTED ANNUAL INFORMATION

	2019	2018	2017
Revenue	$ 2,232,396	$ -	$ -
Net loss	(26,290,647)	(5,153,690)	(308,234)
Total assets	37,506,023	1,114,534	1,439,705
Total non-current financial liabilities	26,042,253	-	-
Basic and diluted EPS	$ (0.24)	$ (0.21)	$ (0.02)

- Revenue for the year ended December 31, 2019 was $2,232,396 compared to $nil in both fiscal 2018 and 2017. Revenue in 2019 was primarily earned from the Company's dispensary in Arizona which was acquired on October 10, 2019.
- Net loss in fiscal 2019 increased significantly compared to 2018 as the Company began to execute on its plan of becoming a vertically integrated cannabis provider in multiple states across the U.S. As a result, the Company incurred significant sales and marketing, business development and professional fees. Net loss for fiscal 2018 increased compared to fiscal 2017 as the Company wrote off $3,800,000 in an uncollectible loan receivable and incurred significant consulting and professional fees in fiscal 2018 due to potential business acquisitions.
- Total assets of the Company decreased in 2018 as the Company sold a large portion of its marketable securities in the first quarter while total assets decreased slightly in 2017 compared to 2016 as in 2017, the fair value of marketable securities were less than the fair value in 2016, and loan receivable in 2017 was either written off or collected.

The above selected Annual Information in fiscal 2019 is the result of operations of Innovative Properties Inc. prior to the Company changing its name to Nabis Holdings Inc. and focusing primarily on operations across the vertically integrated cannabis industry in the US.

SUMMARY OF QUARTERLY RESULTS

	Dec 31 2019[1]	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019
Revenue	2,232,396	-	-	-
Cost of goods sold	(1,411,097)	-	-	-
Gross profit	821,299			
Total operating expenses	(4,260,549)	(3,732,604)	(3,549,944)	(3,533,417)
Other income (expenses)	(9,799,081)	(1,433,432)	(680,124)	(122,795)
Net loss	(13,238,331)	(5,166,036)	(4,230,068)	(3,656,212)
Weighted-average number of shares outstanding	109,729,634	101,494,364	95,344,659	83,925,034
Loss per share	(0.12)	(0.05)	(0.04)	(0.04)

	Oct 31 2018	Jul 31, 2018	Apr 30, 2018	Jan 31, 2018
Revenue	-	-	-	-
Cost of goods sold	-	-	-	-
Gross Profit	-	-	-	-
Total operating expenses	(364,213)	(59,306)	(484,571)	(351,580)
Other income (expenses)	(3,670,727)	(20)	(58,920)	(164,353)
Net loss	(4,034,940)	(59,326)	(543,491)	(515,933)
Weighted-average number of shares outstanding	27,598,865	24,142,033	24,635,536	16,414,966
Loss per share	(0.15)	(0.00)	(0.02)	(0.03)

[1]Results of Operations for the Five-Month Period ended December 31, 2019

Retail and wholesale revenue for the five-month period ended December 31, 2019 was $2,232,396 (2018 - $nil). Cost of goods sold for the five-month period ended December 31, 2019 was $1,411,097 (2018-$nil) and gross profit was $821,299 or 36.8% (2018-nil).

During the five-month period ended December 31, 2019, the Company incurred $1,324,454 in selling, general and administrative expenses compared to $364,213 in the comparative three-month period in 2018. The Company also recognized $481,076 in share-based compensation expenses and $118,691 in depreciation and amortization expenses (2018 -$425).

Total operating expenses increased by $3,896,336 when compared to the three-month period in fiscal 2018. The increase in expenses is due-to the fact that the Company has ramped up their activity level with the acquisitions of multiple cannabis investments in Michigan, Arizona and Washington.

The Company has undergone a recent cost cutting exercise which will result in significant cost reductions in selling, and general and administrative expenses in fiscal 2020. As a result of this exercise, Management conservatively estimates an expected annualized savings of approximately $3,000,000 largely due to the termination, or non-renewal of non-essential sales and marketing, business development and investor relations agreements.

Results of Operations for the Fourteen-Month Period ended December 31, 2019

Retail and wholesale revenue for the fourteen-month period ended December 31, 2019 was $2,232,396 (2018 - $nil). Cost of goods sold for the fourteen-month period ended December 31, 2019 was $1,411,097 (2018-$nil) and gross profit was $821,299 or 36.8%.

During the fourteen-month period ended December 31, 2019, the Company incurred $12,765,412 in selling, general and administrative expenses compared to $1,259,245 for the same period in fiscal 2018. The Company recognized $1,843,508 in share-based compensation expenses (2018-$nil) and $467,594 in depreciation and amortization expenses (2018-$425).

Total operating expenses increased by $13,816,844 as compared to the same period in fiscal 2018. The increase in expenses is due-to the fact that the Company has ramped up their activity level with the acquisitions of multiple cannabis investments in Michigan, Arizona and Washington.

OUTLOOK

Impact of Covid-19

The rapid spread of COVID-19 has affected both people and global operations and may continue to do so for the foreseeable future. The extent of the financial and operational impact of COVID-19 has yet to be fully determined. The impact on the Company has/ may include curtailment of operations if deemed non-essential, logistic issues related to supply and delivery of products, stock market volatility which may the Company's access to market capital, revaluation of other financial assets, foreign translation risk as a result of the declining Canadian dollar, and delays in financial reporting. Canadian securities regulators have recognized the latter and provided blanket relief for filers with up to 45 day filing extensions. The Company has leveraged this for both the annual filings and first quarter reporting.

To minimize the spread of the virus and its impact on the operations, the Company has instituted measures including creating a Committee focused on consistent and open communications with the staff, implementing best in-class hygiene practices, facilitating remote work locations where possible, imposing travel restrictions and minimizing social exposure by conducting meetings remotely.

Arizona Operations

Nabis closed the Phoenix, Arizona acquisition on October 10, 2019 and accordingly, the audited financial statements for the fourteen months ended December 31, 2019 reflect 82 days of operations. Management continues to work diligently on improving operating efficiencies and profitability at the dispensary and have launched their own "Emerald" brand of products which include shatters, wax, butter, pre-rolls, vapes, cartridges, and oral sprays. Emerald products are processed and packaged internally, resulting in reduced costs and higher profit margins.

The State of Arizona designated cannabis as an essential service during the Covid-19 lockdown restrictions so the operating hours at the dispensary were not impacted. Management and dispensary staff followed best hygiene practices and the guidelines and recommendations of the Arizona Department of Health Services to ensure the safety of staff and patients. Operational efficiencies made at the dispensary level, coupled with the positive impact on sales during the Covid-19 pandemic have resulted in unaudited retail and wholesale revenues of approximately $4.9M (US$3.5M) for the five-month period of January 1 to May 31, 2020, earned as follows:

Month	Unaudited Retail and Wholesale Revenues (CDN$)
January 2020	663,000
February 2020	654,000
March 2020	1,002,000
April 2020	1,240,000
May 2020	1,373,000
Total	$4,932,000

Sales to date are in line with Management's expectations and expect additional increases in sales as additional products are launched including the Infusion Edibles line.

In order to continue to build out the Camp Verde cultivation and production facility, the Company needs to raise additional capital. Unfortunately, as a result of Covid-19 and the corresponding capital market volatility, as of the date of this MD&A, the Company has been unsuccessful in raising the additional capital required.

Michigan Operations

In order to continue to develop the investments in Michigan, the Company requires a significant amount of capital for construction, finishing and product. In order to fund the foregoing, the Company requires outside capital. As a result of Covid-19 and the corresponding capital market volatility, as of the date of this MD&A, the Company has been unsuccessful in raising the additional debt or equity capital to fund Michigan development.

CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares. As of the date of this MD&A, the Company has 116,129,417 common shares issued and outstanding. In addition, there are 38,982,767 common share purchase warrants, 2,640,115 broker's warrants and 8,360,000 stock options outstanding.

Restricted Stock Units ("RSUs")

As at the report date, the Company had granted 8,725,000 RSUs, of which 8,225,000 RSUs have met the vesting conditions and have been exercised. The remaining 500,000 RSU's are expected to vest on December 31, 2020 and will be priced based on the closing share price on the CSE on the day immediately preceding the vesting date.

CAPITAL RESOURCES

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, and any other component of Shareholder's equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach from the year ended October 31, 2018.

The Company's capital transactions during the fourteen months ended December 31, 2019 are as follows:

- In November 2018, the Company closed a private placement financing consisting of 40,000,000 shares at a price of $0.05 per share for gross proceeds of $2,000,000. Of the total proceeds, $687,500 were received in October 2018 and an equivalent amount was reallocated from shares to be issued to share capital. In connection with the private placement, the Company issued 1,250,000 common shares as finders' fees with a fair value of $62,500 and issued 1,250,000 brokers' warrants to purchase up to 1,250,000 common shares at $0.05 per share for two years following the issuance date. Using the Black-Scholes Option Pricing Model, the brokers' warrants were valued at a fair value of $158,010, assuming a risk-free interest rate of 2.27%, an expected life of two years, an expected volatility of 145.87% and no expected dividends.

  In November 2018, the Company closed a private placement and issued 21,933,335 shares at a price of $0.15 per share for gross proceeds of $3,290,000. Concurrent with the private placement, Company issued 1,399,998 shares for debt settlement with certain arms-length creditors in the amount of $210,000. The Company issued 1,476,000 common shares as finders' fee with a fair value of $221,400 and issued 1,476,000 brokers' warrants to purchase up to 1,476,000 common shares at $0.15 per share for two years following the issuance date. Using the Black-Scholes Option Pricing Model, brokers' warrants were valued at a fair value of $480,101, assuming a risk-free interest rate of 2.21% - 2.23%, an expected life of two years, an expected volatility of 153.50% - 154.27% and no expected dividends.

  In connection with the aforementioned private placements, the Company paid share issuance cost of $17,653 in cash.

- In December 2018, the Company issued 1,250,000 common shares upon exercise of 1,250,000 brokers' warrants for cash proceeds of $62,500. The fair value of the brokers' warrants of $158,010 was transferred from reserve to share capital;

- In February 2019, the Company issued 362,500 common shares upon exercise of 362,500 options for cash proceeds of $58,000. The fair value of the options of $54,375 was transferred from reserve to share capital;

- In February 2019, the Company issued 155,000 common shares upon exercise of 155,000 warrants for cash proceeds of $116,250. The fair value of the warrants of $42,887 was transferred from reserve to share capital;

- In April 2019, the Company issued 125,000 common shares upon exercise of 125,000 options for cash proceeds of $20,000. The fair value of the options of $18,750 was transferred from reserve to share capital;

- In May 2019, the Company issued 62,500 common shares upon exercise of 62,500 options for cash proceeds of $10,000. The fair value of the options of $9,375 was transferred from reserve to share capital;

- In June 2019, the Company issued 13,299,999 common shares to acquire Cannova Medical Ltd. As at December 31, 2019, 7,388,888 of these shares are held in escrow and will be released upon completion of certain milestones. The Company also has an obligation to issue an additional 10,103,434 common shares relating to the purchase of Cannova;

- In July 2019, the Company issued 432,125 common shares upon exercise of 432,125 warrants for cash proceeds of $64,818. The fair value of the warrants of $141,742 was transferred from reserve to share capital;

- In August 2019, the Company issued 259,095 common shares upon exercise of 259,095 warrants for cash proceeds of $38,864. The fair value of the warrants of $82,684 was transferred from reserve to share capital;

- In October 2019, the Company issued 300,000 common shares with a fair value of $25,500 as compensation for consulting services received; and

- In November, 2019, the Board of Directors approved the grant of an aggregate of 8,725,000 Restricted Share Units ("RSUs") under the Company's Restricted Share Unit Plan (the "Plan") to certain Officers, Directors and Employees of the Company ("RSU Recipients"); 6,225,000 of the RSU's granted vested immediately, 2,000,000 RSU's vested on January 2, 2020 and the balance of 500,000 RSU's will vest on December 31, 2020. The RSU's have been granted to the RSU Recipients as compensation for their services to the Company and as an incentive mechanism to foster long-term success of the Company. Each RSU carries the right to receive one common share of the Company upon vesting; certain RSU Recipients have vesting conditions attached to their grant. The issuance of the RSUs are subject to the terms of the Plan and all required approvals, including, if applicable, the approval of the Canadian Security Exchange.

LIQUIDITY

The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements.

At December 31, 2019, the Company had $16,192,556 in current liabilities (October 31, 2018 - $264,033), of which $14,379,445 relates to mortgages and notes payable in connection with Michigan and Arizona acquisitions (October 31, 2018 - $nil).

		December 31, 2019		October 31, 2018
Current assets	$	3,909,163	$	914,534
Current liabilities		(16,192,556)		(264,033)
Working capital (deficit)	$	(12,283,393)	$	650,501

The Company had a net loss of $26,290,647 for the fourteen-month period ended December 31, 2019 compared to a net loss of $5,153,690 for the twelve-month period ended October 31, 2018. At December 31, 2019, the Company has an accumulated deficit of $32,968,082 (October 31, 2018 - $6,677,435).

The Company's ability to continue as a going concern is dependent upon its ability to finance operations with revenue derived from the dispensary in Arizona, as well as new business opportunities. Future development of the Company will depend on the Company's ability to obtain additional financings. The Company has historically financed its operations primarily through the sale of share capital by way of private placements and through debenture issuance. Funding for potential future development obligations, in excess of funds on hand, will depend on the Company's ability to obtain financing through debt and equity financing, or other means. There can be no assurances that the Company will be successful in obtaining any such financing; failure to obtain such additional financing could result in the delay or indefinite postponement of further development of the Company's operations.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

		December 31, 2019		October 31, 2018
Management and consulting fees		423,429		473,224
Salaries and wages		570,572		-
Share-based compensation		886,931		-
	$	1,880,932	$	473,224

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

		December 31, 2019		October 31, 2018
Rental income	$	6,517	$	-
Management and consulting fees		360,226		392,829
Data mining preparation fees		14,048		-
Professional fees		55,673		80,395
	$	436,463	$	473,224

As at December 31, 2019, $155,362 (October 31, 2018 - $48,504) is included in trade payables and accrued liabilities for amounts owing to related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

At October 31, 2018, the only financial instruments measured at fair value were the common shares included in the Company's marketable securities, which were measured at Level 1 under the fair value hierarchy. The Company did not have any marketable securities at December 31, 2019.

At October 31, 2018, the only financial instruments included in Level 3 under the fair value hierarchy were the warrants included in the Company's marketable securities.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate.

There were no transfers between the levels of the fair value hierarchy during the year.

Financial Risk Factors

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

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 primary exposure to credit risk is on its cash held in bank accounts and its trade receivables. Cash deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and convertible debenture financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign currency risk.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property is never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Banking risk

Notwithstanding that many states have legalized recreational cannabis, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, 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 accessing the U.S. banking system and traditional financing

sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

SUBSEQUENT EVENTS

(a) The recent outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the ability for the Company to raise capital, and continue the construction of cannabis assets in the states of Arizona, Michigan and Washington, and the supply of product and inventory are highly uncertain and as such, the Company cannot determine the corresponding financial impacts at this time.

(b) In March 2020, the Company entered into a $2,121,030 (US$1,600,000) real estate backed loan agreement secured by the land and building of the Camp Verde facility in Arizona, which bears interest at 12% annually. The loan is being paid monthly, interest only until March 1, 2025 but can be prepaid at any time subject to certain terms and conditions.

(c) In June 2020, the Company reached an agreement with the vendors on the Michigan properties and the mortgage terms of repayment were modified such that the mortgages are expected to be fully repaid by August 1, 2020. The Company is committed to making total payments of interest and principle in the amount of CDN$5,047,111 (US$3,882,991), of which $448,898 (US$345,359) has already been paid.

CRITICAL ACCOUNTING ESTIMATES

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of marketable securities, the recoverability of receivables, the impairment of non-financial assets, and the useful life of property, plant and equipment.

Significant judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company’s financial statements include the assessment of the Company’s ability to continue as a going concern and whether the collection of revenue is reasonably assured, the determination of the functional currency, and the determination of asset acquisition vs business combination.

RISKS AND UNCERTAINTIES

The following are certain risk factors relating to the business and securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

The COVID-19 outbreak and its effect on the Company's business

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent weeks. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Company's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Company's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.

Failure to manage growth

If the Company's is unable to manage its continued growth successfully, its business and results of operations could suffer. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- build a sales team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

Disruption due to Acts of God

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

Profitability

There is no assurance that the Company will be able to reach or sustain profitability. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Dependence on management and key personnel

The Company depends on the business and technical expertise of its management team and it is unlikely that this dependence will decrease in the near term. The Company's success largely depends on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Contributions made by the existing management team and additions made to the management team are of central importance to the Company's immediate and near-term operations. In addition, the competition for qualified personnel in the Company's industry is significant and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Advertising, marketing and promotion

The Company's results depend on the impact of its pricing, promotional and marketing plans and its ability to adjust these plans to respond quickly to economic and competitive conditions while remaining compliant with relevant legislation and regulations. The Company's existing or future pricing strategies and the value proposition they represent will continue to be important components of its overall plan, but may not be successful and could negatively impact sales and margins. The promotion of its offerings may yield results below desired levels. If the Company's pricing, promotional and marketing plans are not successful, or are not as successful as those of its competitors, the Company's sales, market share, and financial results could be adversely affected. Some of the Company's competitors are much larger than the Company, and expend more resources on their advertising and marketing programs, or use different approaches, which may provide them with a competitive advantage. The Company's marketing, advertising and promotional programs may not be effective or could require increased expenditures, which could have a material adverse effect on its revenue, profitability, and results of operations. The Company may need to adjust its marketing, advertising and promotional programs effectively and more quickly as Internet-based and other digital or mobile communication channels and other social media rapidly evolve, and it may not successfully do so. In addition, the Company must comply with regulatory restrictions on advertising and marketing. Non-compliance could result in penalties and/or increased costs.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of the Company's securities which may be dilutive to the existing shareholders.

Price volatility of publicly traded securities

In recent years, the securities markets in the US and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. Any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in generating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which presence is dependent on the individual decisions of investors over which the Company has no control. There can be no assurance that an active trading market in Common Shares will be established and sustained. The market price for Common Shares could be subject to wide fluctuations, which could have an adverse effect on the market price the Common Shares. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for Common Shares does not develop or is not maintained, the liquidity of a shareholder's investment may be limited and the Common Share price may decline.

Conflicts of interest

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Debt levels

The Company currently has, and will continue to have, indebtedness. The Company's ability to make payments of principal and interest on the debt or to refinance its indebtedness will depend on the Company's future operating performance and its ability to enter into additional debt and equity financings, which to a certain extent is subject to economic, financial, competitive and other factors beyond the Company's control.

If the Company is unable to generate sufficient cash flow in the future to service its debt, it may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to the Company. The inability to obtain additional financing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. Any additional equity financing would result in the dilution of shareholders.

The Company's substantial indebtedness could have important consequences to shareholders including, but not limited to, the Company being unable to satisfy its obligations under its credit facilities and being vulnerable to adverse general economic and industry conditions. The Company may find it more difficult to fund future working capital, capital expenditures, general corporate purposes or other purposes, and the Company could have to dedicate a substantial portion of its cash resources to the payment of its indebtedness, thereby reducing the funds available for operations and for distribution to shareholders.

Leverage

The degree to which the Company is leveraged could have important consequences on shareholders, including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions may be limited; (ii) a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness, thereby reducing funds available for future operations; and (iii) the

Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

Competition

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry, including, without limitation, the entry of large multinational entities into the industry, could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company currently competes with other cannabis streaming and royalty companies, some of which may possess greater financial resources than 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 experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company's investments, could materially and adversely affect the business, financial condition and results of operations of the Company. It is possible that larger competitors could establish price setting and cost controls which would effectively "price out" certain of the Company's investments operating within and in support of the medical and recreational cannabis industry.

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

Dependence on management information systems

The Company depends on its management information systems in each stage of its operations. These management information systems also form the basis of its financial reporting. Irreparable damage to the Company's management information systems and databases, or loss of the information contained therein, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations or future prospects.

More stringent government regulations

The Company is subject to various federal, provincial and municipal laws and regulations. Such laws, regulations and related rules and policies are administered by various federal, provincial and municipal agencies and other governmental authorities. New laws governing the Company's business could be enacted and changes to any existing laws could have a significant impact on the Company's business. The Company's failure to comply with applicable laws and regulations may subject it to civil or regulatory proceedings which may have a material adverse effect on the Company's business, financial condition, liquidity, results of operations or future prospects.

RISK FACTORS RELATED TO ISSUERS WITH U.S. CANNABIS-RELATED ACTIVITIES

On February 8, 2018, following the Sessions Memorandum (as defined below), the Canadian Securities Administrators published CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Cannabis-Related Activities* (the "**Staff Notice 51-352**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the disclosure contained herein, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. As of the date of this MD&A, the Company has investments in entities in the states of Arizona, Michigan and Washington that are involved in the United States cannabis industry. As a result, the Company is subject to Staff Notice 51-352 and accordingly, provides the following disclosure:

United States Federal Overview

General

In the United States, thirty-three states, Washington D.C. and Puerto Rico have legalized medical marijuana, and eleven states and Washington D.C. have legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has of least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**") issued a memorandum known as the "**Cole Memorandum**" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

On January 4, 2018 the Cole Memorandum was revoked by Former Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Former Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, 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 emphasized that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate 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. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed 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 Controlled

Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: 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."

In November 2018, Jeff Sessions resigned from the position of Attorney General. William Barr replaced him, and remains the active Attorney General of the United States. Mr. Barr stated during his confirmation hearing that he would not seek to prosecute companies that have relied on the Cole Memorandum. Mr. Bar confirmed this response later in writing as past of the formal confirmation proceedings.

In February 2019, Mr. Bar went on to state that when the Cole Memo was replaced by the Sessions Memo discretion was given to individual US Attorneys to address the issues surrounding cannabis in their respective districts. Mr. Bar expressed the notion that the landscape of effective law enforcement around cannabis is complicated and that individual states are best positioned to deal with the matter in the ways they see best.

However, in April, 2019 during a Senate Appropriations subcommittee hearing, Mr. Barr stated in testimony: "I am accepting the Cole Memorandum for now, but I have generally left it up to the U.S. Attorneys in each State to determine what the best approach is in that state." He also added, "I haven't heard any complaints from the States that have legalized marijuana."

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a regulatory and enforcement perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" ("**SAR**") as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, 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 can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of Federal Laws

For the reasons set forth above, the Company's existing operations in the United States, and any future investments, 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 operate in the United States or any other jurisdiction. See "Risk Factors".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which Nabis could expand. Any inability to fully implement Nabis's expansion strategy may have a material adverse effect on Nabis's business, financial conditions and results of operations. See "*Risk Factors*".

Further, 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 Nabis, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for Nabis 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. See "*Risk Factors*".

Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, the United States Congress has repeatedly enacted legislation to protect the medical marijuana industry from prosecution. The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016, which by its terms does not appropriate any federal funds to the U.S. DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with State medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (the "**Leahy Amendment**") and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment remained in effect by virtue of a continuing resolution under which the entire 2018 budget was operating. On December 20, 2019, the United States Congress passed an omnibus bill that continued the Leahy Amendment. The 2019 omnibus bill will be effective until September 30, 2019. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes.

Ability to Access Public and Private Capital

The Company has had robust access to private capital in Canada in order to support its continuing operations. Since the Company's incorporation in 2002, the Company has been able to raise over $6.5 million through private equity financings. In addition to certain Canadian Schedule 1 banks accepting deposits from entities positioned in the legal medical cannabis sectors, there are also a number of credit unions that have historically provided, and continue to provide, debt financings in this space. Prior to the Amalgamation, the Company has never needed to access public equity capital in the United States. However, there is no assurance that the Company will be successful in raising future capital, particularly if U.S. federal authorities change their position towards enforcing the Controlled Substances Act.

Balance Sheet Exposure

The Company owns or controls assets located in the United States, specifically in the states of Arizona, Michigan and Washington.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Venture issuers are not required to 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 National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers 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 generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost-effective basis.

Officers and Directors

Shay Shnet, CEO and Director
Mark Krytiuk, COO and Chairman
Nicole Rusaw, CFO
Emmanuel Paul, Director
Safiya Lyn-Lassiter, Director
Yoni Ashurov, Director

Contact:

Nicole Rusaw
(416) 223-2300
info@nabisholdings.com