

# Green Thumb Industries Inc.



## LISTING STATEMENT - FORM 2A

IN CONNECTION WITH THE LISTING OF THE SHARES OF GREEN THUMB INDUSTRIES INC., THE ENTITY FORMERLY KNOWN AS BAYSWATER URANIUM CORPORATION, AFTER THE REVERSE TAKEOVER BY VCP23, LLC

June 12, 2018

Green Thumb Industries Inc. derives a substantial portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Green Thumb Industries Inc. is directly involved (through its licensed subsidiaries) in the cannabis industry in the United States where local state laws permit such activities. Currently, its subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the States of Illinois, Nevada, Maryland, Pennsylvania, Massachusetts, Florida and Ohio.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. 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. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States marijuana is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On January 4, 2018, U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

**There is no guarantee 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 United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the 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 applicable state laws are repealed or curtailed, Green Thumb Industries Inc.'s business, results of operations, financial condition and prospects would be materially adversely affected. See *Section 17 of this Listing Statement – Risk Factors* for additional information on this risk.**

**In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.**

**Please see the table of concordance under Trends, Commitments, Events or Uncertainties in Section 3.3 for further information on the material facts, risks and uncertainties related to U.S. issuers with marijuana-related activities.**

## TABLE OF CONTENTS

1.	GLOSSARY OF TERMS.....	4
2.	CORPORATE STRUCTURE.....	8
3.	GENERAL DEVELOPMENT OF THE BUSINESS.....	12
4.	NARRATIVE DESCRIPTION OF THE BUSINESS .....	34
5.	SELECTED CONSOLIDATED FINANCIAL INFORMATION .....	54
6.	MANAGEMENT’S DISCUSSION AND ANALYSIS.....	56
7.	MARKET FOR SECURITIES .....	56
8.	CONSOLIDATED CAPITALIZATION .....	56
9.	OPTIONS TO PURCHASE SECURITIES .....	57
10.	DESCRIPTION OF THE SECURITIES.....	61
11.	ESCROWED SECURITIES .....	69
12.	PRINCIPAL SHAREHOLDERS .....	69
13.	DIRECTORS AND OFFICERS.....	70
14.	CAPITALIZATION.....	78
15.	EXECUTIVE COMPENSATION .....	81
16.	INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS .....	82
17.	RISK FACTORS .....	82
18.	PROMOTERS .....	100
19.	LEGAL PROCEEDINGS.....	100
20.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	101
21.	AUDITORS, TRANSFER AGENTS AND REGISTRARS.....	101
22.	MATERIAL CONTRACTS.....	101
23.	INTEREST OF EXPERTS .....	102
24.	OTHER MATERIAL FACTS.....	102
25.	FINANCIAL STATEMENTS .....	102
	SCHEDULE “A” FINANCIAL STATEMENTS OF BAYSWATER URANIUM CORPORATION .....	A-1
	SCHEDULE “B” CONSOLIDATED FINANCIAL STATEMENTS OF VCP23, LLC .....	B-1
	SCHEDULE “C” MD&A OF BAYSWATER URANIUM CORPORATION.....	C-1
	SCHEDULE “D” MD&A OF VCP23, LLC.....	D-1
	SCHEDULE “E” CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER .....	E-1

## **Cautionary Note Regarding Forward-Looking Statements**

The information provided in this listing statement (“**Listing Statement**”), including information incorporated by reference, may contain “forward-looking statements” about Bayswater Uranium Corporation (the “**Corporation**”), Green Thumb Industries Inc. (the “**Resulting Issuer**”), VCP23, LLC (“**VCP**”), GTI Finco Inc. (“**GTI Finco**”) and a wholly-owned subsidiary of the Corporation (“**Subco**”). In addition, the Corporation, VCP 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 Corporation, the Resulting Issuer, VCP or GTI Finco 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 Corporation, the Resulting Issuer or VCP that address activities, events or developments that the Corporation, the Resulting Issuer, VCP or GTI Finco 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 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:

- (a) the regulation of the recreational cannabis industry;
- (b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (c) other risks described in this Listing Statement and described from time to time in documents filed by the Corporation, VCP, or the Resulting Issuer with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt of required shareholder and regulatory approvals in a timely manner or at all; (ii) receipt and/or maintenance of required licenses and third party consents in a timely manner or at all; and (iii) the success of the operations of the Resulting Issuer.

Although the Corporation and VCP believe that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required

licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to laws and regulations applicable to the production and sale of marijuana; and other factors beyond the Corporation and VCP's control, as more particularly described under the heading "*Risk Factors*" in this Listing Statement.

Consequently, all forward-looking statements made in this Listing Statement and other documents of the Corporation, the Resulting Issuer, VCP or GTI Finco, as applicable, 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 on the Corporation, the Resulting Issuer, VCP and GTI Finco. 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 Corporation, the Resulting Issuer, VCP, GTI Finco, and/or persons acting on their behalf may issue. None of the Corporation, the Resulting Issuer, VCP or GTI Finco undertakes any 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.

### **Market and Industry Data**

This Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications. VCP believes that the 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, VCP 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.

### **Currency**

Unless otherwise indicated, all references to "\$" or "US\$" in this Listing Statement refer to United States dollars and all references to "C\$" in this Listing Statement refer to Canadian dollars.

### **Information Concerning VCP and GTI Finco**

The information contained or referred to herein relating to VCP and GTI Finco has been furnished by VCP, without independent verification by the Corporation. In preparing this Filing Statement, the Corporation has relied upon VCP to ensure that this Filing Statement contains full, true and plain disclosure of all material facts relating to VCP and its subsidiaries.

## 1. GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Listing Statement including in the summary hereof. Terms and abbreviations used in the financial statements appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

“**Affiliate**” means a corporation that is affiliated with another corporation as described below. A corporation is an “**Affiliate**” of another corporation if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A corporation is “**controlled**” by a Person if:

- (a) voting securities of the Corporation are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Corporation.

A Person beneficially owns securities that are beneficially owned by:

- (a) a corporation controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

“**Agents**” has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

“**Amalco**” has the meaning ascribed thereto in Section 3.1 *General Development of the Business – The Transaction*.

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or
- (d) in the case of a Person who is an individual:
  - (i) that Person’s spouse or child, or

- (ii) any relative of the Person or of his spouse who has the same residence as that Person.

“**Awards**” has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

“**BCBCA**” means the *Business Corporations Act* (British Columbia).

“**CBCA**” means the *Canada Business Corporations Act*.

“**CBD**” has the meaning ascribed thereto in Section 17 *Risk Factors*.

“**Cole Memorandum**” has the meaning ascribed thereto in Section 17 *Risk Factors*.

“**common shares**” in respect of the Resulting Issuer refer to Subordinate Voting Shares.

“**Compensation Options**” has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

“**Convertible Promissory Note**” means the \$45 million convertible promissory note of VCP sold to VCP Convert, LLC, a Delaware limited liability company owned by accredited investors on April 30, 2018.

“**Controlled Substances Act**” has the meaning ascribed thereto in Section 3.3 *Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally*.

“**Conversion Ratio**” has the meaning ascribed thereto in Section 10 *Description of the Securities*.

“**Corporation**” or “**Bayswater**” means Bayswater Uranium Corporation and its subsidiaries, on a consolidated basis, prior to the Transaction.

“**Corporation’s Board of Directors**” means the board of directors of the Corporation.

“**CSE**” means the Canadian Securities Exchange.

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof.

“**Definitive Agreement**” means the business combination agreement entered into among the Corporation, Subco, VCP, GTI23 and GTI Finco on June 12, 2018.

“**DOT**” has the meaning ascribed thereto in Section 3.3 *Trends, Commitments, Events or Uncertainties - Regulation of the Cannabis Market at State and Local Levels*.

“**Equity Incentive Plan**” means the equity incentive plan the Resulting Issuer proposes to adopt.

“**Escrow Agent**” means Odyssey Trust Company.

“**Escrowed Funds**” has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

“**Escrow Release Conditions**” means the following collectively:

- (a) written confirmation from each of the Corporation and GTI Finco that all conditions of the Transaction have been satisfied or waived, other than release of the Escrowed Funds, and that the Transaction shall be completed forthwith upon release of the Escrowed Funds;
- (b) the receipt of all shareholder and regulatory approvals required for the Transaction;
- (c) the distribution of the Subordinate Voting Shares to be issued in connection with the Transaction, being exempt from applicable prospectus and registration requirements of applicable Canadian securities laws and not subject to any hold or restricted period thereunder;
- (d) the Subordinate Voting Shares being conditionally approved for listing on the CSE and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the release of the Escrowed Funds; and
- (e) GTI Finco and GMP, on behalf of the Agents, shall have delivered a release notice to the Subscription Receipt Agent in accordance with the terms of the Subscription Receipt Agreement;

**"FDA"** means the United States Federal Drug Administration.

**"Financing Notes"** has the meaning ascribed thereto in Section 8 *Consolidated Capitalization*.

**"FinCEN"** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**"GMP"** has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

**"GTI23"** means GTI23, Inc., a corporation existing under the laws of Delaware.

**"GTI Finco"** means GTI Finco Inc., a corporation existing under the laws of the Province of British Columbia.

**"GTI Finco Subscription Receipts"** has the meaning ascribed thereto in Section 3.1 *General Development of the Business – The Transaction*.

**"Initial Holders"** has the meaning ascribed thereto in Section 10 *Description of the Securities*.

**"Inversion Conditions"** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**"ISOs"** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**"ITA"** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**"Letter Agreement"** means the letter agreement entered into by the Corporation and VCP23, LLC dated April 23, 2018.

**"Listing Statement"** means this listing statement of the Corporation, including the schedules hereto, prepared in support of the listing of the Subordinate Voting Shares on the CSE.



**“MOU”** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**“Multiple Voting Shares”** has the meaning ascribed thereto in Section 10 *Description of the Securities*.

**“NEO”** means a Named Executive Officer as such term is defined in Form 51-102F6 – Statement of Executive Compensation under National Instrument 51-102 - Continuous Disclosure.

**“NQSOs”** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**“Options”** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**“Participants”** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**“Person”** means any individual, corporation, Corporation, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

**“PIK”** has the meaning ascribed thereto in Section 3.1 *General Development of the Business – Financing Activities*.

**“PTSD”** has the meaning ascribed thereto in Section 3.3 *Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels*.

**“RMDs”** has the meaning ascribed thereto in Section 3.3 *Trends, Commitments, Events or Uncertainties - Regulation of the Cannabis Market at State and Local Levels*.

**“RBA”** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**“Related Person”** has the meaning attributed to it in the CSE Policies.

**“Resulting Issuer”** means Green Thumb Industries Inc., the entity formerly known as Bayswater Uranium Corporation, after the reverse takeover by VCP23, LLC.

**“RCP Investor Member Units”** has the meaning ascribed thereto in Section 3.1 *General Development of the Business – Financing Activities*.

**“RSUs”** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**“SARs”** has the meaning ascribed thereto in Section 9 *Options to Purchase Securities*.

**“Section 280E”** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**“Sessions Memorandum”** has the meaning ascribed thereto in Section 17 *Risk Factors*.

**“SKUs”** has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – House of Brands Wholesale Cannabis Manufacturing and Distribution*.

**“SR Offering”** has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

“**SR Offering Price**” has the meaning ascribed thereto in Section 4 – *Narrative Description of the Business – The Financing*.

“**Super Voting Shares**” has the meaning ascribed thereto in Section 10 *Description of the Securities*.

“**Subco**” means 1165318 B.C. Ltd., a wholly-owned subsidiary of the Corporation which will amalgamate with GTI Finco pursuant to the Transaction.

“**Subordinate Voting Shares**” has the meaning ascribed thereto in Section 10 *Description of the Securities*.

“**THC**” has the meaning ascribed thereto in Section 17 *Risk Factors*.

“**T&T**” means a track-and-trace system for seed-to-sale.

“**Transaction**” means the acquisition of GTI23, Inc. (the owner of VCP at the relevant time) and GTI Finco by the Corporation, as contemplated by the Definitive Agreement.

“**TSXV**” means the TSX Venture Exchange.

“**U.S. Tax Code**” has the meaning ascribed thereto in Section 17 *Risk Factors*.

“**VCP**” means VCP23, LLC and its subsidiaries including the GTI Core operating business after the proposed business combination between VCP23, LLC and GTI Core, LLC.

## **2. CORPORATE STRUCTURE**

### **2.1 Corporate Name and Head and Registered Office**

This Listing Statement has been prepared in connection with the Transaction and proposed listing on the CSE of the Resulting Issuer.

The registered office of the Corporation is 2080 - 777 Hornby Street, Vancouver, British Columbia V6Z 1S4, Canada and its head office is Suite 545, 999 Canada Place, Vancouver, British Columbia V6C 3E1.

VCP has operations in Illinois, Nevada, Maryland, Pennsylvania, and Massachusetts. VCP’s head and registered office is 325 W. Huron Street, Suite 412, Chicago, Illinois 60654.

Upon completion of the Transaction, the head office of the Resulting Issuer will be located at 325 W. Huron Street, Suite 412, Chicago, Illinois 60654. The registered office of the Resulting Issuer will be located at 2200, HSBC Building, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8.

### **2.2 Jurisdiction of Incorporation**

#### **The Corporation**

The Corporation was incorporated under the *Company Act* (British Columbia) on June 26, 1979 under the name “Dalmatian Resources Ltd.” On February 18, 2002, the Corporation changed its name to “Enwest Ventures Corp.” Further, on February 25, 2003, the Corporation changed its

name to “Bayswater Ventures Corp.” In August 2006, the Corporation changed its name from Bayswater Ventures Corp. to “Bayswater Uranium Corporation” following an amalgamation with Pathfinder Resources Ltd.

On July 18, 2007, under a plan of arrangement, the Corporation amalgamated with Kilgore Minerals Ltd., a company incorporated under the *Canada Business Corporations Act* (the “**CBCA**”) on June 21, 2002. Following the plan of arrangement, Kilgore Minerals Ltd. changed its name to “Bayswater Uranium Corporation” on July 24, 2007 and effected a continuance under the laws of the province of British Columbia on December 7, 2006. On December 7, 2006, it was continued into British Columbia under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) under the name Bayswater Uranium Corporation.

On the closing date of the Transaction, the Corporation acquired the business of VCP and the funds raised by GTI Finco.

## **VCP**

VCP was formed on November 27, 2017 with the Delaware Secretary of State’s office. On January 1, 2018, RCP23, LLC, which had operations in Nevada, Maryland, Pennsylvania and Massachusetts, and GTI-Clinic Illinois Holdings, LLC, which had operations in Illinois, restructured and each entity contributed certain assets and real estate to VCP23 or its subsidiaries and simultaneously transferred its membership interests in the state-licensed medical and adult use businesses to GTI Core, LLC, a subsidiary of VCP.

See *Item 3.1 – General Development of the Business – VCP*

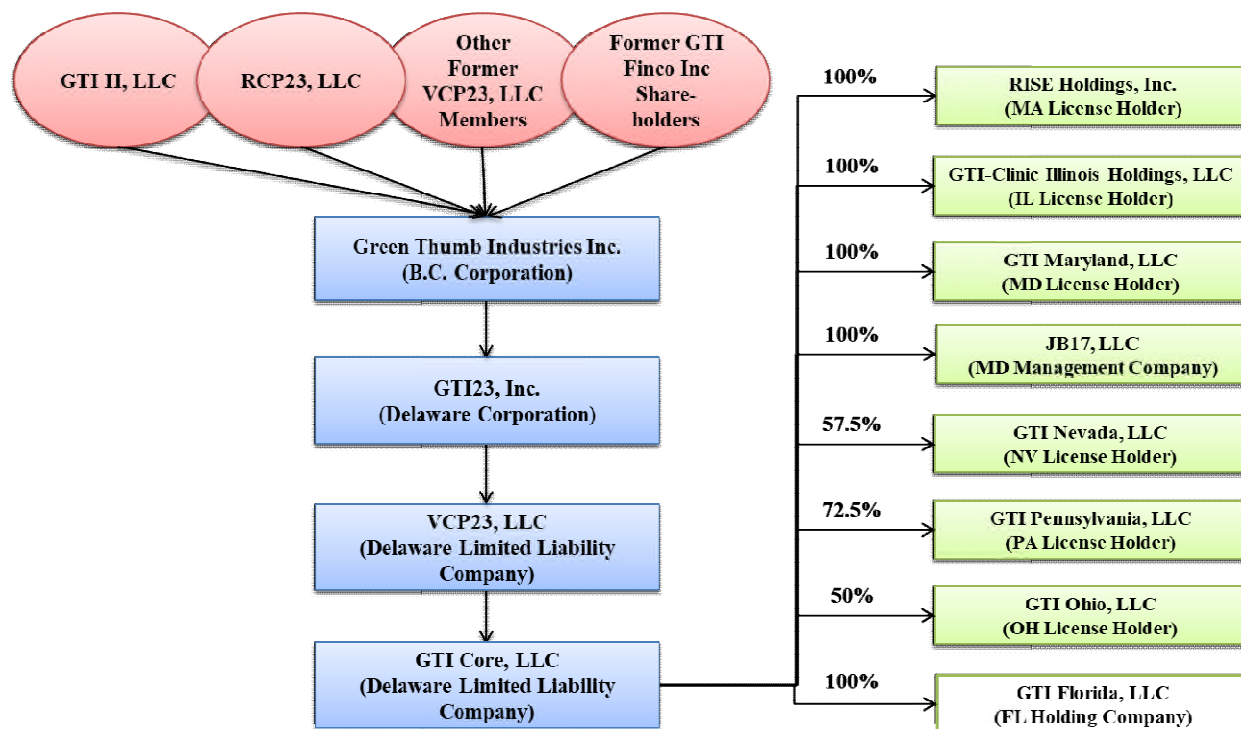
## **2.3 Inter-corporate Relationships**

The organization chart of the Resulting Issuer setting out the material subsidiaries following the closing of the Transaction, is set forth below. Unless otherwise noted, (i) all information presented on the Resulting Issuer assumes the closing of the Transaction, and (ii) all lines represent 100% ownership of outstanding securities of the applicable subsidiary.

GTI Core, LLC owns the membership interest in several state-licensed medical and adult use marijuana businesses in Illinois, Massachusetts, Maryland, Pennsylvania, and Nevada.

The chart below represents the proposed corporate structure of the Resulting Issuer upon completion of the Transaction:

**Corporate Structure  
Green Thumb Industries Inc.**



Note:  
GTI Florida, LLC has executed a definitive agreement to acquire a medical marijuana license in the State of Florida.

VCP is currently reorganizing so that each of the state-licensed medical and adult use marijuana businesses are owned directly by VCP.

Entity Name	Formation	Formation Date	Corporate Structure	GTI Ownership
Green Thumb Industries Inc.	British Columbia, Canada	June 26, 1979	GTI Parent Company	N/A
GTI23, Inc.	Delaware, USA	May 10, 2018	U.S. Parent Company	100%
VCP23, LLC	Delaware, USA	November 27, 2017	Owens GTI Core, LLC	100%
Vision Management Services, LLC	Delaware, USA	November 11, 2016	Provides Management Services to GTI-Related Businesses	100%

Entity Name	Formation	Formation Date	Corporate Structure	GTI Ownership
VCP Real Estate Holdings, LLC	Delaware, USA	December 4, 2017	Holds Certain GTI-Owned Real Estate	100%
VCP IP Holdings, LLC	Delaware, USA	December 4, 2017	Holds Certain GTI-Owned Intellectual Property	100%
GTI Core, LLC	Delaware, USA	February 21, 2017	Owns GTI's Interest in State-Licensed Businesses	100%
GTI-Clinic Illinois Holdings, LLC	Illinois, USA	June 26, 2014	Owns GTI's Illinois Licensed Entities	100%
GTI Maryland, LLC	Maryland, USA	April 30, 2015	Holds Maryland Licenses	100%
JB17, LLC	Delaware, USA	July 26 ,2017	Management Services Company	100%
GTI Pennsylvania, LLC	Pennsylvania, USA	August 30, 2016	Holds Pennsylvania Licenses	72.5%
GTI Nevada, LLC	Nevada, USA	January 21, 2016	Holds Nevada Licenses	57.5%
RISE Holdings, Inc.	Massachusetts, USA	April 25, 2018 (Converted from Massachusetts Non-Profit)	Holds Massachusetts Licenses	100%

## 2.4 **Fundamental Change**

See *Item 3.1 – General Development of the Business – The Transaction*

## 2.5 **Non-corporate Corporations and Corporations incorporated outside of Canada**

This section is not applicable.

### **3. GENERAL DEVELOPMENT OF THE BUSINESS**

#### **3.1 General Development of the Business**

##### **VCP**

VCP was formed on November 27, 2017 with the Delaware Secretary of State's office. The entity had no activity or financials in 2017.

On January 1, 2018, RCP23, LLC, which had operations in Nevada, Maryland, Pennsylvania and Massachusetts, and GTI-Clinic Illinois Holdings, LLC, which had operations in Illinois, restructured and each entity contributed certain assets and real estate to VCP or its subsidiaries and simultaneously GTI-Clinic Illinois Holdings, LLC transferred its membership interests in the Illinois licensed medical businesses to GTI Core, LLC. Prior to the closing of the Transaction, VCP was acquired by GTI23 and the members of VCP exchanged their membership interests in VCP in exchange for shares of GTI23, Inc.

##### **Pipeline Transactions**

VCP is actively pursuing growth opportunities to expand its portfolio in the medical and adult use marijuana industry. VCP currently has several transactions in its pipeline, including the following:

1. VCP anticipates closing its acquisition of KW Ventures Holdings, LLC, which has medical marijuana dispensaries in Steelton, Pennsylvania and Carlyle, Pennsylvania and a dispensary in York, Pennsylvania, which is anticipated to open in the 3rd Quarter 2018. Pursuant to the terms of a contribution agreement with KW Ventures Holdings, LLC executed on February 14, 2018, GTI Pennsylvania, LLC will purchase the businesses of KW Ventures Holdings, LLC in exchange for a 9.9% membership interest in GTI Pennsylvania, LLC. Prior to the closing of this acquisition, VCP agreed to fund KW Ventures Holdings, LLC a total of \$3 million pursuant to an amended and restated line of credit promissory note as well as executed a management services agreement, both of which were executed on February 14, 2017.
2. VCP has entered into a letter of intent with Revolution Maryland Retail, LLC, the holder of the right to operate a medical marijuana dispensary in the State of Maryland, to enter into a management services agreement and purchase 100% of the membership interest of Revolution Maryland Retail, LLC for cash. It is anticipated that the closing of the acquisition will occur in the third quarter of 2018 and that the dispensary will be located in Abingdon, Maryland.
3. VCP has entered into a letter of intent with MGMTM, LLC, the holder of the right to operate a medical marijuana dispensary in the State of Maryland, to purchase 100% of the membership interest of MGMTM, LLC for VCP equity. It is anticipated that the closing of the acquisition will occur in the third quarter of 2018 and that the dispensary will be located in Gambrills, Maryland.
4. VCP has entered into a definitive agreement with KSGNF, LLC, the holder of a license to operate a medical marijuana treatment center in the State of Florida, to purchase the assets or equity of KSGNF, LLC in exchange for a combination of cash and VCP equity. VCP also entered into a credit agreement and promissory note with KSGNF, LLC to lend

up to \$1 million in working capital for the Florida business. It is anticipated that the closing of the acquisition will occur in the fourth quarter of 2018.

### **Financing Activities**

On April 30, 2018, VCP closed a private placement offering to sell \$45 million in a convertible promissory note (“**Convertible Promissory Note**”) to VCP Convert, LLC, a Delaware limited liability company owned by accredited investors. The Convertible Promissory Note was converted into common units of VCP23, LLC immediately prior to the Transaction.

On December 31, 2017, RCP23, LLC, closed a \$69 million private placement offering to sell investor member units (“**RCP Investor Member Units**”) in RCP23, LLC to fund growth opportunities and working capital of the Corporation. Upon the sale of \$10 million of the RCP Investor Member Units, VCP closed on two asset purchase transactions, which involved the acquisition of all of the assets of (i) GTI Investments, LLC, a Delaware limited liability Corporation, and all of its subsidiaries, and (ii) GTI Investors Maryland, LLC, a Maryland limited liability Corporation. As part of the closing with GTI Investments, LLC and GTI Investors Maryland, LLC, RCP23, LLC assumed the rights to a convertible note with GTI Nevada, LLC, which held medical marijuana licenses in Nevada, rights to a promissory note with RISE Holdings, Inc., which had previously been known as GTI-NP Massachusetts Corporation, received equity in GTI Maryland, LLC, which had applied for certain medical marijuana licenses in the State of Maryland, and certain other subsidiaries formed for the purposes of obtaining medical and/or adult use medical marijuana licenses in the United States.

On November 30, 2016, GTI Investments, LLC, closed a \$9.7 million private placement offering to sell investor member units in GTI Investments, LLC to fund working capital and growth opportunities throughout the United States.

On May 16, 2016, GTI Investors Maryland, LLC, closed a \$2.0 million private placement offering to sell Series A Investor Member Units in GTI Investors Maryland, LLC to fund working capital and growth opportunities the State of Maryland.

On September 30, 2014, GTI II, LLC, closed a \$2 million private placement offering to sell Series A Units in GTI II, LLC.

On April 30, 2015, GTI II, LLC, closed a \$22.3305 million private placement offering to sell Series B Units in GTI II, LLC. Capital raised from both GTI II, LLC offerings was used to fund working capital and growth opportunities in the State of Illinois.

### **The Transaction**

The principal steps of the Transaction are as follows:

- (1) GTI Finco will issue subscription receipts (the “**GTI Finco Subscription Receipts**”) in exchange for anticipated proceeds of \$86,800,000;
- (2) The holders of outstanding membership interests in GTI Core, LLC will contribute such membership interests to VCP in exchange for 1,000 VCP common units;
- (3) The Convertible Promissory Note will be converted, pursuant to their terms, into VCP common units;

- (4) The holders of VCP common units and the holders of VCP preferred units will contribute their VCP common units and VCP preferred units to GTI23, Inc. in exchange for voting common shares of GTI23, Inc. stock;
- (5) The outstanding GTI Finco Subscription Receipts will be converted into GTI Finco common shares with each holder of a GTI Finco Subscription Receipt receiving one GTI Finco common shares in exchange therefor;
- (6) Concurrently:
  - (a) All holders of voting common shares of GTI23 stock, which will generally include former holders of VCP Common Units and VCP Preferred Units, RCP23, LLC, and GTI II, LLC, will contribute their voting common shares of GTI23 stock to the Corporation in exchange for shares of the Corporation, which may include Subordinate Voting Shares, Super Voting Shares and/or Multiple Voting Shares;
  - (b) The Corporation, Subco and GTI Finco will be parties to a three-cornered amalgamation pursuant to which GTI Finco shareholders (including former holders of GTI Finco Subscription Receipts) will receive Subordinate Voting Shares of the Corporation and GTI Finco and Subco will amalgamate with the resulting entity being "**Amalco**") constituting a continuation of each of GTI Finco and Subco under applicable law; and
- (7) Amalco will be dissolved and liquidated, pursuant to which all of the assets of Amalco will be distributed to the Corporation.

Upon completion of the Transaction, the directors of the Resulting Issuer are Ben Kovler, Pete Kadens, Anthony Georgiadis, Wendy Berger and Glen Senk.

Following approval at the Corporation's shareholder meeting, which will include an amendment to create additional share classes, the Corporation's authorized share capital will consist of an unlimited number of subordinate voting shares ("**Subordinate Voting Shares**"), an unlimited number of multiple voting shares ("**Multiple Voting Shares**"), and an unlimited number of super voting shares ("**Super Voting Shares**"). Upon completion of the Transaction, the outstanding capital of the Corporation consists of: (i) 11,245,439 Subordinate Voting Shares; (ii) 863,941 Multiple Voting Shares (which includes securities to be issued in connection with an acquisition); and 433,409 Super Voting Shares.

### **3.2 Significant Acquisitions and Dispositions**

In March 2016, GTI Nevada, LLC acquired Nevada Organix, LLC, which held one cultivation/processor license and three dispensary licenses in the state of Nevada. Funding to close the acquisition came from VCP and from a third-party financial investor, both of which took convertible debt interest in GTI Nevada, LLC, the acquiror. Such convertible debt was converted into equity in GTI Nevada, LLC as of February 2017.

In October 2017, GTI 3C, LLC, a subsidiary of VCP acquired 3C Compassionate Care Center, LLC, which held two dispensary licenses in the state of Illinois. Funding to close the acquisition came from a combination of Corporation cash and \$7.5 million in long-term debt from third-party lenders.



In February 2018, GTI Pennsylvania, LLC entered into a contribution agreement with KW Ventures Holdings, LLC whereby VCP would purchase 100% of the membership interest in KW Ventures Holdings, LLC in exchange for membership interest in GTI Pennsylvania, LLC. This transaction is anticipated to close in the 3rd quarter of 2018.

### 3.3 Trends, Commitments, Events or Uncertainties

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities (“**Staff Notice 51-352**”), below is a table of concordance that is intended to assist readers in indentifying 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
<b>All Issuers with U.S. Marijuana-Related Activities</b>	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.	<p><i>Section 3.3 – Trends Commitments, Events or Uncertainties - Operational Foundation in Seven Highly Regulated, Oligopolistic Markets</i></p> <p><i>Section 4 – Narrative Description of the Business</i></p>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>Cover Page (disclosure in bold typeface)</i>
	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.	<p><i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally</i></p> <p><i>Section 17 – Risk Factors – Marijuana remains illegal under U.S. federal law</i></p> <p><i>Section 17 – Risk Factors – Federal regulation of marijuana in the United States</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	<p>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.</p>	<p><i>Section 17 – Risk Factors – Restricted access to banking</i></p> <p><i>Section 17 – Risk Factors – U.S. state regulatory uncertainty</i></p> <p><i>Section 17 – Risk Factors – Regulatory scrutiny of the Resulting Issuer's interests in the United States</i></p> <p><i>Section 17 – Risk Factors – Constraints on marketing products</i></p> <p><i>Section 17 – Risk Factors – Proceeds of crime statutes</i></p> <p><i>Section 17 – Risk Factors – Heightened scrutiny by Canadian regulatory authorities</i></p> <p><i>Section 17 – Risk Factors – Limited trademark protection</i></p> <p><i>Section 17 – Risk Factors – Lack of access to U.S. bankruptcy protections</i></p> <p><i>Section 17 – Risk Factors – Legality of contracts</i></p> <p><i>Section 17 – Risk Factors – Newly-established legal regime</i></p> <p><i>Section 17 – Risk Factors – Risk of civil asset forfeiture</i></p>
	<p>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.</p>	<p><i>Section 4.1(1) – Narrative Description of the Business -- Total Funds Available</i></p> <p><i>Section 4.1(1) – Narrative Description of the Business – Ability to Access Public and Private Capital</i></p> <p><i>Section 17 – Risk Factors – Newly-established legal regime</i></p> <p><i>Section 17 – Risk Factors – Restricted access to banking</i></p>
	<p>Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p><i>Section 5 – Selected Consolidated Financial Information</i></p> <p>Schedules "B", "D" and "E" to the Listing Statement.</p> <p><b>Note: at the time of the Listing Statement, the major operations of the Resulting Issuer are only in the United States</b></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	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.
<b>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</b>	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.	<i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of the Cannabis Market at State and Local Levels</i>
	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-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	<i>Section 3.3 – Trends Commitments, Events or Uncertainties – Regulatory Overview</i>  <i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Compliance with Applicable State Law in the United States</i>  <i>Section 17 – Risk Factors – U.S. state regulatory uncertainty</i>
<b>U.S. Marijuana Issuers with indirect involvement in cultivation or distribution</b>	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	Not applicable.
	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.	Not applicable.
<b>U.S. Marijuana Issuers with material ancillary involvement</b>	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.	Not applicable.

## **Regulatory Overview**

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where VCP is currently directly involved through its subsidiaries. VCP's subsidiaries are directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the recreational and/or medicinal cannabis marketplace in the States of Illinois, Nevada, Maryland, Pennsylvania, Massachusetts, Florida and Ohio. In accordance with Staff Notice 51-352, VCP will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended 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. Any non-compliance, citations or notices of violation which may have an impact on VCP's license, business activities or operations will be promptly disclosed by VCP.

## **Regulation of Cannabis in the United States Federally**

As of the January 16, 2018, the United States Supreme Court has ruled that Congress has the power to regulate cannabis.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” **The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, marijuana is largely regulated at the state level in the United States.

**State laws regulating cannabis are in direct conflict with the federal Controlled Substances Act, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the Controlled Substances Act. Although VCP’s activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve VCP of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against VCP.**

The risk of federal enforcement and other risks associated with the Resulting Issuer’s business are described in *Item 17 – Risk Factors*.

### **Operational Foundation in Seven Highly Regulated, Oligopolistic Markets**

VCP intends to execute its manufacturing and retail businesses across a national footprint of seven manufacturing and 50 retail facilities across seven regulated U.S. markets: Nevada, Illinois, Maryland, Pennsylvania, and Massachusetts, Florida and Ohio.

VCP is focused on identifying which among the 29 U.S. markets with legal cannabis programs, including Washington D.C., have the supply-demand market dynamics to support a relatively understood return on invested capital.





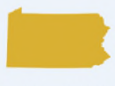




Following the thesis that distributing brands at scale will win, VCP enters markets where it can profitably and sustainably operate and command significant market share, and thus consumer and brand awareness. The regulatory framework installed by each respective State, not much different than the limited and controlled issuance of gaming or alcohol distributorship licenses, provide macro-level indication of sustainable and profitable market viability.

The regulatory framework, dictates both the supply and demand side of the economic equation:

- Supply: how many people are permitted to legally manufacture and distribute cannabis to retailers, and how many people are legally allowed to sell cannabis to end consumers. This informs a market’s competitive threats, barriers to entry, and supplier power.

- Demand: what, if any, are the specific requirements for a consumer to purchase cannabis, and what, if any, are the limitations to purchase. This informs a market's substitutability and buyer power.

Below is a summary overview of the regulatory and subsequent competitive frameworks in each of VCP's operating markets and markets in which VCP intends to operate in the near to medium term:

KEY MARKET METRICS								
		ILLINOIS	NEVADA	MASSACHUSETTS	MARYLAND	PENNSYLVANIA	FLORIDA	OHIO
CONSUMER LANDSCAPE	POPULATION	13M	3M	7M	6M	13M	21M	12M
	REGULATORY LANDSCAPE	Very limited license	Limited license; Adult Use 21+	Limited license; Adult Use 21+	Limited license	Very limited license	Limited license	Very limited license
COMPETITIVE LANDSCAPE	WHOLESALE	20	180	35	15 <sup>2</sup>	12	13	13 <sup>4</sup>
	RETAIL	55	61	123	102	81	325	56
	 WHOLESALE	2	2	1	1	1	1	TBD <sup>4</sup>
	 RETAIL <sup>1</sup>	4	2	3	5	6	25 <sup>3</sup>	5
NOTES		Chronic pain or adult use on horizon	40M annual tourists	"Colorado of the East"; Wholesale market on horizon	Chronic pain	Chronic pain	Chronic Pain	Chronic Pain

Notes<sup>1</sup>:

(1) Refer below for current store openings and planned store openings.

(2) Maryland issued separate licenses for cultivation and processing; 15 licenses were awarded for each.

(3) VCP has executed a definitive agreement to acquire a medical marijuana license in the State of Florida, expected to close the fourth quarter of 2018.

(4) Ohio issued two cultivation license tiers: 13 Tier I Large Scale; 12 Tier II Small Scale. GTI has applied for 1 of 40 Processing licenses, still to be awarded by the State.

### *Oligopolistic and Underserved Markets*

Once macro market entry is deemed viable, VCP determines the ideal local jurisdiction in which to operate both wholesale and retail facilities by evaluating a variety of microeconomic indicators including but not limited to: local or proximal cannabis prohibition, local license

<sup>1</sup> <sup>1</sup> [www.census.gov](http://www.census.gov); Illinois Medical Cannabis Pilot Program. (2018 April 4). Overall Medical Cannabis Pilot Program Data, as of 3/31/2018. Retrieved from <https://www2.illinois.gov/sites/mcpp/Pages/update04042018.aspx>; <http://www.chicagotribune.com/news/local/breaking/ct-met-medical-marijuana-opioids-illinois-lawmakers-20180604-story.html>; Nevada Department of Taxation. (2018 April 18). Marijuana Program Overview. Retrieved from [https://tax.nv.gov/Publications/Marijuana\\_Statistics\\_and\\_Reports/](https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/); Maryland Medical Cannabis Commission. (2018 April). Retrieved from direct communication with Maryland regulators in direct response to Company inquiry.; The Pennsylvania Department of Health. (2018 April). Marijuana Program Overview. Retrieved from direct communication with Pennsylvania regulators in direct response to Company inquiry.; The Medical Use of Marijuana Program. (2018 April 17). Massachusetts Medical Use of Marijuana Program: External Dashboard. Retrieved from <https://www.mass.gov/files/documents/2018/04/17/2018-3-external-dashboard.pdf>; Florida Department of Health, Office of Medical Marijuana Use; May 4, 2018 <http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/documents/180504-bi-weekly-update.pdf>; <https://www.medicalmarijuana.ohio.gov/>

issuance, population, population density, traffic velocity, proximity to primary roadways and transit, political affiliation and voting skew, community sentiment, zoning and permitting requirements, demographics (i.e. age, household income, unemployment rate, etc.), real estate and property value, new home construction.

Ultimately, VCP seeks – and has successfully secured and operates in – markets that are monopolistic or oligopolistic in nature, where there is limited supply and thus limited competition. This enables VCP to secure significant and growing captive demand and market share with its suite of branded cannabis consumer products, distributed to consumers through third party retailers as well as its own 50-store national retail chain, RISE™ Dispensaries (with 13 stores currently operating and at least 20 stores expected to be operating by the end of 2018).

## **Regulation of the Cannabis Market at State and Local Levels**

### **Illinois**

The *Compassionate Use of Medical Cannabis Pilot Program Act*, which allows individuals diagnosed with a debilitating medical condition access to medical marijuana, became effective January 1, 2014 and is extended through July 1, 2020. There are over 35 qualifying conditions as part of the medical program, including epilepsy, traumatic brain injury, and post-traumatic stress disorder (“PTSD”). VCP controls two of the 20 cultivation/processing licenses issued as well as four of the 60 retail dispensary licenses issued to service the entire state of over 12 million residents. Licenses were awarded based on merit in a highly competitive application process to applicants who demonstrated strong operational expertise and financial backing.

Illinois’ retail market size for 2017 was over \$85 million, representing an over 140% year-over-year increase. In the first three calendar months of 2018, recorded state-wide sales are already over 1/3 of the total market size for all of 2017. The first quarter net revenues of 2018 represent an approximate 14% sequential increase over the fourth quarter of 2017.<sup>2</sup>

In March 2018, Cook County voters (which is by far and large the most populous county in the state, encompassing all of Chicagoland metro area) responded positively for state-wide recreational legalization with a 63% majority. Although the vote was non-binding, the voting leverage of Cook County, which encompasses more than 130 municipalities, is anticipated to play a significant role in the November 2018 gubernatorial elections for which numerous candidates have outwardly pledged their support for cannabis legislation.

### *VCP Licenses*

VCP is licensed to operate in the state of Illinois as a medical cultivator, a medical product manufacturer and a retail dispensary. Table 1 below lists the licenses issued to VCP in respect of its operations in Illinois. Under applicable laws, the licenses permit VCP to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the Department of Agriculture and the Department of Financial and Professional Regulation under the provisions of the Illinois Revised Statutes 410 ILCS 130. All licenses are, as of the date hereof, active with the State of Illinois. There are two categories

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<sup>2</sup> Illinois Medical Cannabis Pilot Program. (2018 April 4). Overall Medical Cannabis Pilot Program Data, as of 3/31/2018. Retrieved from <https://www2.illinois.gov/sites/mcpp/Pages/update04042018.aspx>.

of licenses in Illinois: (1) cultivation/processing and (2) dispensary. The licenses are independently issued for each approved activity for use at VCP facilities in Illinois.

All cultivation/processing establishments must register with Illinois Department of Agriculture. All dispensaries must register with the Illinois Department of Financial and Professional Regulation. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the Department of Agriculture or Illinois Department of Financial and Professional Regulation and include a renewal form.

The licenses are independently issued for each approved activity for use at VCP facilities in Illinois. Please see below for a list of the licenses issued to VCP in respect of its operations in Illinois.

Licenses in the State of Illinois

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
The Clinic Effingham	DISP.00042	Effingham, IL	Expires on 08/22/2018	Illinois Dispensary License
GTI Oglesby, LLC	1503060648	Oglesby, IL	Expires on 03/09/2019	Illinois Cultivation/Processing Operation Permit
GTI Rock Island, LLC	1503060649	Rock Island, IL	Expires on 03/09/2019	Illinois Cultivation/Processing Operation Permit
The Clinic Mundelein	DISP.00002	Mundelein, IL	Expires on 09/17/2018	Illinois Dispensary License
3C Compassionate Care Center	DISP.000027	Naperville, IL	Expires on 1/29/2019	Illinois Dispensary License
3C Compassionate Care Center	DISP.000011	Joliet, IL	Expires on 11/19/2018	Illinois Dispensary License

Illinois License and regulations

The retail dispensary licenses permit VCP to purchase marijuana and marijuana products from cultivation/processing facilities, and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit VCP to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries.

## Illinois Reporting Requirements

The state of Illinois uses BioTrack as the state's computerized track-and-trace (“**T&T**”) system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. VCP uses the commercial version of BioTrack as its in-house computerized seed to sale software, which integrates with the state's BioTrack program and captures the required data points for cultivation, manufacturing and retail as required in the Illinois Compassionate Use of Medical Cannabis Pilot Program Act.

## **Nevada**

Nevada became a medical marijuana state in 2001. In 2013, Nevada legislature passed SB374, providing for state licensing of medical marijuana establishments. On November 8, 2016, Nevada voters passed NRS 435D by ballot initiative allowing for the sale of marijuana for adult use starting on July 1, 2017. There are 115 cultivators, 80 producers, and 61 dispensaries licensed for adult-use in the entire state. Approximately 75% of the state licensed marijuana operations exist within Clark county / Las Vegas city limits, representing an approximate 8,000 square foot area. The remaining 25% of licenses exist throughout the rest of the entire state<sup>3</sup>.

In the first eight months of Nevada adult use sales, recreational retail sales have been reported at over \$260 million, averaging almost \$33 million per month and trending materially higher than forecasts submitted by the Nevada Department of Taxation (the “**DOT**”)<sup>4</sup>. The state has opened up applications for additional adult use licenses and given priority to businesses with current licenses, allowing for greater opportunity for VCP to increase the Nevada footprint at an expedited pace.

### *VCP Licenses*

VCP is licensed to operate in the state of Nevada as a Medical Cultivator, a Medical Product Manufacturer and a Retail Dispensary. Table 2 below lists the licenses issued to VCP in respect of its operations in Nevada. Under applicable laws, the licenses permit VCP to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the DOT under the provisions of Nevada Revised Statutes section 453A. In 2016, VCP purchased via asset purchase agreements two provisional licenses of the state medical marijuana program for cultivation and manufacturing and two retail dispensaries. All provisional licenses are, as of the date hereof, active with the State of Nevada. All licenses are independently issued for each approved activity for use at VCP facilities in Nevada.

All marijuana establishments must register with DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation

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<sup>3</sup> Nevada Department of Taxation. (2018 April 18). Marijuana Program Overview. Retrieved from [https://tax.nv.gov/Publications/Marijuana\\_Statistics\\_and\\_Reports/](https://tax.nv.gov/Publications/Marijuana_Statistics_and_Reports/)

<sup>4</sup> <https://www.reviewjournal.com/news/pot-news/nevada-recreational-marijuana-sales-reach-41m-in-march/>



and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from DOT and include a renewal form. The renewal periods serve as an update for DOT on the licensee's status toward active licensure.

The licenses are independently issued for each approved activity for use at VCP facilities. The table below lists the licenses issued to VCP in respect of its operations in Nevada.

Licenses in the State of Nevada

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
GTI NEVADA, LLC	Correspondence ID: 1700011452356	Carson City, NV	Expires on 12/31/2018	Nevada Adult Use Retail License
GTI NEVADA, LLC	Correspondence ID: 1700011452357	Sparks, NV	Expires on 11/30/2018	Nevada Adult Use Retail License
GTI NEVADA, LLC	Certificate #D099: 18900369179730863251	Carson City, NV	Expires on 6/30/2018	Nevada Medicinal Retail License
GTI NEVADA, LLC	Certificate #D097: 45491515276399795916	Spanish Springs, NV	Expires on 6/30/2018	Nevada Medicinal Retail License
GTI NEVADA, LLC	Provisional C088: 83887504703736981918	Carson City, NV	Expires on 6/30/2018	Nevada Medicinal Cultivator License
GTI NEVADA, LLC	Provisional P057: 88939271215332828859	Carson City, NV	Expires on 6/30/2018	Nevada Medicinal Processor License

Nevada License and regulations

The retail dispensary licenses permit VCP to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores, and allows the sale of marijuana and marijuana products to consumers.

The medical cultivation licenses permit VCP to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

The medical product manufacturing license permits VCP to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries

Nevada Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. VCP has designated an in-house

computerized seed to sale software that integrate with METRC via API (GreenBits), which captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A.

## **Maryland**

In 2012, a State law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission regulates the state program and awarded operational licenses in a highly competitive application process. 102 dispensary licenses were awarded out of a pool of over 800 applicants while an original 15 processing and 15 cultivation licenses were awarded out of a pool of over 150 applicants. VCP has controlling ownership over five retail dispensaries, one processing license, and one cultivation license.

As of April 2018, there were over 20,000 registered and certified patients in Maryland's medical marijuana program and over 550 medical practitioners registered to certify patients as eligible.<sup>5</sup> The program was written to allow access to medical marijuana for patients with any condition that is considered "severe" for which other medical treatments have proven ineffective, including chronic pain, nausea, seizures, glaucoma and PTSD. All major product forms are allowed for sale and consumption with the exception of edibles. Some market estimates peg the medical market size to reach approximately \$221 million by 2021.<sup>6</sup> However, early indications of patient participation have trended toward much larger state-wide retail sales in the inaugural year of the program than originally forecasted.

In April 2018, Maryland lawmakers agreed to expand the state's medical marijuana industry by awarding another 20 licenses, seven for cultivation and 13 for processing. One of the seven newly granted cultivation permits was awarded to VCP as a priority applicant and allowed for an immediate pathway to full supply chain integration for VCP.

### *VCP Licenses*

VCP is licensed to operate retail medical cannabis dispensaries in the state of Maryland. Please see below for a list of the licenses issued to VCP in respect of its operations in Maryland. Under applicable laws, the licenses permit VCP to sell and purchase marijuana pursuant to the terms of the licenses, which are issued by the Natalie M. LaPrade Medical Cannabis Commission under the provisions of the Maryland Medical Cannabis Law, Section 13-3301 et seq. All licenses are, as of the date hereof, active with the State of Maryland. There are three categories of licenses in Maryland: (1) cultivation, (2) processing and (3) dispensary. The licenses are independently issued for each approved activity for use at VCP facilities in Maryland.

All cultivation, processing and dispensary establishments must register with the Natalie M. LaPrade Medical Cannabis Commission. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. Registration certificates are valid for a period of one year and are subject

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<sup>5</sup> Maryland Medical Cannabis Commission. (2018 April). Retrieved from direct communication with Maryland regulators in direct response to Company inquiry.

<sup>6</sup> New Frontier Analytics. (2018 March). The Cannabis Industry Annual Report. Retrieved from <https://newfrontierdata.com/annualreport2017/>.

to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from the Natalie M. LaPrade Medical Cannabis Commission and include a renewal form.

The licenses are independently issued for each approved activity for use at VCP facilities in Maryland. The below table lists the licenses issued to VCP in respect of its operations in Maryland.

Licenses in the State of Maryland

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
Chesapeake Alternatives LLC	P-17-00005	Centreville, MD	Expires on 08/29/2019	Maryland Processing License
Chesapeake Alternatives LLC	D-17-00010	Bethesda, MD	Expires on 11/20/2019	Maryland Dispensary License
GTI Maryland, LLC	D-17-00007	Silver Spring, MD	Expires on 11/20/2019	Maryland Dispensary License
Meshow, LLC	D-18-00021	Joppa, MD	Expires on 4/10/2020	Maryland Dispensary License
MGTM, LLC	Stage 1 Approval	Gambrills, MD	N/A	Maryland Dispensary License
Revolution Maryland Retail, LLC	Stage 1 Approval	Abingdon, MD	N/A	Maryland Dispensary License

Maryland License and regulations

The retail dispensary licenses permit VCP to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores, and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit VCP to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

The medical product manufacturing license permits VCP to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries.

Maryland Reporting Requirements

The state of Maryland uses Franwell Marijuana Enforcement Tracking Regulation and Compliance system (METRC) as the state's computerized T&T system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. VCP uses Greenbits as its in-house computerized seed to sale software, which integrates with the state's Metrc program and captures the required data points for cultivation, manufacturing and retail as required in the Maryland Medical Cannabis law.

## **Pennsylvania**

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16 and provided access to state residents with one of 17 qualifying conditions, including epilepsy, chronic pain, and PTSD. The state, which consists of over 12 million U.S. citizens and qualifies as the fifth largest population in the US, operates as a high-barrier market with very limited market participation. The state originally awarded only 12 licenses to cultivate/process and 27 licenses to operate retail dispensaries (which entitled holders to up to three medical dispensary locations). Out of the hundreds of applicants in each license category, VCP was awarded the maximum number of licenses and was awarded the highest total score for dispensary applications out of 280 applications and the highest total score for cultivation/processing out of 177 applications.

Retail sales opened in February 2018 to a limited number of retail locations across the state. VCP's first of six controlled dispensaries opened its doors on April 18, 2018. As of April 2018, there were over 30,000 registered patients across the state which is quickly moving toward market size estimates of approximately \$700 million by 2020.<sup>7</sup>

On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which will include 13 additional cultivation/processing licenses and 23 additional dispensary licenses. The application period ran from April 2018 through May 17, 2018. VCP submitted multiple dispensary applications and anticipates that the Pennsylvania Department of Health will announce the license awards in the fourth quarter of 2018.

In the introductory months of the program, Pennsylvania's medical marijuana dispensaries experienced supply shortages and were unable to keep up with statewide demand. It was announced on April 17, 2018 that dry flower would be included in the regulations as an approved product form for sale and consumption (in addition to the already approved forms of concentrates, pills, and tinctures). Simultaneously, it was announced that the list of qualifying conditions would expand from 17 to 21, including additions of cancer remission therapy and opioid-addiction therapy.

### *VCP Licenses*

VCP is licensed to operate in the Commonwealth of Pennsylvania as a medical cannabis cultivator/processor and to operate 3 medical cannabis dispensaries. Table 4 below lists the

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<sup>7</sup> The Pennsylvania Department of Health. (2018 April). Marijuana Program Overview. Retrieved from direct communication with Pennsylvania regulators in direct response to Company inquiry.

licenses issued to VCP in respect of its operations in Pennsylvania. Under applicable laws, the licenses permit VCP to cultivate, manufacture, process, package, sell, and purchase medical marijuana pursuant to the terms of the licenses, which are issued by the Pennsylvania Department of Health under the provisions of Medical Marijuana Act (35 P.S. § § 10231.101—10231.2110) and Chapters 1141, 1151 and 1161 of the Pennsylvania regulations. All licenses are, as of the date hereof, active with the Commonwealth of Pennsylvania. There are two categories of licenses in Pennsylvania: (1) cultivation/processing and (2) dispensary. The licenses are independently issued for each approved activity for use at VCP facilities in Pennsylvania.

All cultivation/processing establishments must register with Pennsylvania Department of Health. All dispensaries must register with the Pennsylvania Department of Health. Registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Specifically, for licenses that VCP currently holds, each one has undergone renewal periods; the registration renewal applications are pending. Renewal requests are typically communicated through email from the Department of Agriculture or the Illinois Department of Financial & Professional Regulation and include a renewal form.

The licenses are independently issued for each approved activity for use at VCP facilities in Pennsylvania. Please see the table below for a list of the licenses issued to VCP in respect of its operations in Pennsylvania.

Licenses in the State of Pennsylvania

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
GTI Pennsylvania LLC	GP-4006-17	Danville, PA	Expires 6/20/18; renewal application filed and pending	State Grower/Processor Permit
GTI Pennsylvania LLC	D-6002-17	Erie, PA	Expires 6/29/18; renewal application filed and pending	State Dispensary Permit (allows 3 dispensary locations)
KW Ventures Holdings, LLC	D-3025-17	Steelton, PA	Expires 6/29/2017; renewal application filed and pending	State Dispensary Permit (allows 3 dispensary locations)

Pennsylvania License and Regulations

The retail dispensary licenses permit VCP to purchase marijuana and marijuana products from cultivation/processing facilities, and allows the sale of marijuana and marijuana products to registered patients.

The medical cultivation licenses permit VCP to acquire, possess, cultivate, manufacture/process into edible medical marijuana products and/or medical marijuana-infused products, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries.

## Pennsylvania Reporting Requirements

The Commonwealth of Pennsylvania uses MJ Freeway as the state's computerized T&T system for seed-to-sale. Individual licensees are required to use MJ Freeway to push data to the state to meet all reporting requirements. VCP uses MJ Freeway as its in-house computerized seed to sale software, which integrates with the state's MJ Freeway program and captures the required data points for cultivation, manufacturing and retail as required in the Pennsylvania medical marijuana laws and regulations.

## **Massachusetts**

Massachusetts became the eighteenth state to legalize medical marijuana when voters passed a ballot in 2012. Adult use (recreational) marijuana is legal in Massachusetts as of December 15, 2016, following a ballot initiative in November of that year. The Department of Public Health is the regulatory body that oversees the medical marijuana program, including all cultivation, processing and dispensary facilities. The Cannabis Control Commission, a regulatory body created in 2018, oversees the recreational program, including licensing of adult use cultivation, processing and dispensary facilities.

The Medical Use of Marijuana Program of Massachusetts was established following the ballot question three in the 2012 general election. Subsequently, voters legalized adult-use marijuana access on election night 2016. Being one of only a few adult-use states on the East Coast and with the sale of all product forms allowed, Massachusetts is widely considered to be one of the biggest legal marijuana markets. As of April 2018, there were approximately 35 wholesale operating facilities licensed for business and 120 retail dispensaries licensed for consumer sales. State applications for adult-use sales commenced on April 17, 2018 and recreational sales are expected to begin in late summer 2018. VCP's status as an existing medical marijuana license holder (three licenses under controlling ownership) gives it priority certification for adult-use licensing.

As of March 31, 2018, Massachusetts had 24 retail dispensaries open for sales to over 48,000 registered and active patients across the state. In the eight months since July 1, 2017, over 235,000 ounces of medical marijuana were dispensed across the state. 2017 retail sales have been estimated at over \$100 million and are forecasted at over \$1 billion by 2020 with the implementation of recreational sales.<sup>8</sup>

### *VCP Licenses*

Registered Marijuana Dispensaries ("**RMDs**") are "vertically-integrated," which means RMDs grow, process, and dispense their own marijuana. Under certain conditions, RMDs are able to acquire up to 45% of their annual inventory of product from other RMDs.<sup>9</sup> An RMD must have a retail facility, as well as cultivation and processing operations. Some RMDs elect to do cultivation, processing and retail operations all in one location, which is commonly referred to as a "colocated" operation. An RMD may also choose to have a retail dispensary in one location

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<sup>8</sup> The Medical Use of Marijuana Program. (2018 April 17). Massachusetts Medical Use of Marijuana Program: External Dashboard. Retrieved from <https://www.mass.gov/files/documents/2018/04/17/2018-3-external-dashboard.pdf>.

<sup>9</sup> 105 CMR 725.105(B)(2)(b)

and grow marijuana at a remote cultivation location. It may conduct the processing of the marijuana at either the retail dispensary location or the remote cultivation location. The remote cultivation location need not be in the same municipality or even the same county as the retail dispensary.

The Commonwealth of Massachusetts uses the MMJ Online system through the Virtual Gateway portal as the state’s computerized T&T system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The Company uses Leaf Logix as its in-house computerized seed to sale software, which integrates with the state’s program and captures the required data points for cultivation, manufacturing and retail as required in the Massachusetts medical marijuana laws and regulations.

The licenses are independently issued for each approved activity for use at VCP facilities in Massachusetts. Please see the table below for a list of the licenses issued to VCP in respect of its operations in Massachusetts.

Licenses in the State of Massachusetts

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
RISE Holdings, Inc.	Certificate: 32	Holyoke, MA	Expires 4/10/19	Cultivation/ Processing Certificate
Rise Holdings, Inc.	Certificate: 32	Amherst, MA	Expires 4/10/19	Dispensary Certificate
GTI Massachusetts – NP Corporation	N/A (to be sited)	Holyoke, MA	N/A	Dispensary Approval

**Florida**

In 2014, the Florida Legislature passed the Compassionate Use Act which was the first legal medical cannabis program in the state’s history. The original Compassionate Use Act only allowed for low-THC cannabis (Charlotte’s Web strain) to be dispensed and purchased by patients suffering from cancer and epilepsy.<sup>10</sup>

In 2016, the Legislature passed the Right To Try Act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with

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<sup>10</sup>Florida Department of Health, Office of Medical Marijuana Use; May 4, 2018 <http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/documents/180504-bi-weekly-update.pdf>

a 71.3% majority on November 8. This language amended the state constitution and mandated an expansion of the state's medical cannabis program.

Amendment 2, and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health, physicians, dispensing organizations, and patients are bound by Article X Section 29 of the Florida Constitution and 381.986 Florida Statutes.

On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017.

As of May 4, 2018, there were 106,348 patients in the registry, 13 approved medical marijuana treatment centers (of which six are cultivation only), and 34 approved retail dispensing locations<sup>11</sup>. The law regulating Amendment 2 provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and would allow growers to open 25 dispensaries, plus an additional five dispensaries for every 100,000 patients.<sup>12</sup>

#### *VCP Licenses*

The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as "Medical Marijuana Treatment Centers" ("MMTC"), to cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Licenses issued by the Department may be renewed biennially so long as the license meets the requirements of the law and the license holder pays a renewal fee. License holders can only own one license.

The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions in the State of Florida which conditions are delineated in Florida Statutes section 386.981. The state does not allow smoking of cannabis for medical use and does not permit the dispensing of whole flowers unless the whole flower is contained within a tamper proof container to be used with a vaporizing device. Under the terms of the License, VCP is permitted to sell medical cannabis only to qualified medical patients that are registered with the State. Only certified physicians who have successfully completed a medical cannabis educational program can register patients and their medical cannabis orders on the Florida Office of Compassionate Use Registry. Under the license, VCP can operate up to 25 dispensaries statewide. Currently, the dispensaries can be in any geographic location within the state as long as the local municipality's zoning regulations authorize such a use and the proposed site is zoned for a pharmacy and not within 500 feet of a church or school. In the State of Florida, only cannabis that is grown in the state can be sold in the state. As Florida is a vertically integrated system, VCP is able to cultivate, harvest, process and sell/dispense/deliver its own medical cannabis products. The State of Florida also allows VCP to make a wholesale purchase of medical cannabis from, or a distribution of medical cannabis to, another licensed dispensing organization within the state under certain circumstances such as crop failure.

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<sup>11</sup> Florida Department of Health, Office of Medical Marijuana Use; June 1, 2018 [http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/\\_documents/180601-bi-weekly-update.pdf](http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/_documents/180601-bi-weekly-update.pdf)

<sup>12</sup>Marijuana Policy Project; October 10, 2017 <https://www.mpp.org/states/florida/>



### Florida Reporting Requirements

The Florida Department of Health requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the Florida Department of Health to data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of when marijuana seeds are planted, when marijuana plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Additionally, the Florida Department of Health also maintains a patient and physician registry and the Company must comply with all requirements and regulations relative to providing required data or proof of key events to said system.

### Florida Licensing Requirements

Licenses issued by the Department may be renewed biennially so long as the licensee meets requirements of the law and pays a renewal fee. License holders can only own one license and MMTC's can operate up to a maximum of 25 dispensaries throughout the State of Florida. Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the Department, the applicant must post a performance bond of up to US\$5 million, which may be reduced by meeting certain criteria such as a minimum patient count.

### Licenses in the State of Florida

<b>Holding Entity</b>	<b>Permit/License</b>	<b>City</b>	<b>Expiration/Renewal Date (if applicable) (MM/DD/YY)</b>	<b>Description</b>
KSGNF, LLC	MMTC	Homestead	N/A	Florida License to Operate a Medical Marijuana Treatment Center

### **Ohio**

House Bill 523, effective on September 8, 2016, legalized medical marijuana in Ohio. The Ohio Medical Marijuana Control Program allows people with certain medical conditions, upon the recommendation of an Ohio-licensed physician certified by the State Medical Board, to purchase and use medical marijuana.

The three following state government agencies are responsible for the operation of Ohio's Medical Marijuana Control Program: (1) the Ohio Department of Commerce is responsible for overseeing medical marijuana cultivators, processors and testing laboratories; (2) the State of Ohio Board of Pharmacy is responsible for overseeing medical marijuana retail dispensaries, the registration of medical marijuana patients and caregivers, the approval of new forms of medical marijuana and coordinating the Medical Marijuana Advisory Committee; and (3) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana and may add to the list of qualifying conditions for which medical marijuana can be recommended.

#### *VCP Licenses*

On June 4, 2018, the State of Ohio Board of Pharmacy awarded 56 medical marijuana provisional dispensary licenses. The licenses were awarded after an extensive review of 376 submitted dispensary applications.

Provisional licensees are authorized to begin the process of establishing a dispensary in accordance with the representations in their applications and the rules adopted by the State of Ohio Board of Pharmacy. Per rule, all provisional license holders have a maximum of six months to demonstrate compliance with the dispensary operational requirements to obtain a certificate of operation. Compliance will be determined through an inspection by a Board of Medical Marijuana Compliance Agent. Once a dispensary is awarded a certificate of operation, it can begin selling medical marijuana to Ohio patients and caregivers in accordance with Ohio laws and rules.

By rule, the State of Ohio Board of Pharmacy is limited to issuing up to 60 dispensary licenses across the state, but will have the authority to increase the number of licenses after September 8, 2018. Per the program rules, the Board will consider, on at least a biennial basis, whether enough medical marijuana dispensaries exist, considering the state population, the number of patients seeking to use medical marijuana, and the geographic distribution of dispensary sites.

VCP was awarded five provisional dispensary licenses, the maximum allowed by the State of Ohio Board of Pharmacy. VCP received the highest score in 10 of the 12 districts in which it applied. VCP will take all steps needed to meet the six month operational deadline at its five dispensary locations.

VCP applied for and did not receive a cultivation license. It has filed an administrative appeal of the denial of that license. VCP applied for a processing license in 2017 and is awaiting an announcement by the Ohio Department of Commerce as to the winners of processing licenses.

#### Compliance with Applicable State Law in the United States

VCP is classified as having a "direct" involvement in the U.S. marijuana industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. VCP is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by each applicable U.S. state which may have an impact on its licenses, business activities or operations.

VCP has in place a detailed compliance program headed by its Chief Compliance Counsel who oversees, maintains, and implements the compliance program and personnel. In addition to VCP's robust internal legal and compliance departments, VCP has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

VCP's compliance department oversees training for all employees, including on the following topics:

- compliance with state and local laws
- safe cannabis use
- dispensing procedures
- security and safety policies and procedures
- inventory control
- T&T training session
- quality control
- transportation procedures

VCP's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access VCP's computerized seed-to-sale system.

VCP's Chief Compliance Counsel monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. VCP keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, VCP has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. VCP maintains accurate records of its inventory at all licensed facilities. Adherence to VCP's standard operating procedures is mandatory and ensures that VCP's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. VCP ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

In January 2018, United States Attorney General, Jeff Sessions rescinded the Cole Memorandum and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice.<sup>13</sup> As an industry best practice, despite the recent rescission of the Cole Memo, VCP continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations of its subsidiaries are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, VCP retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;

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<sup>13</sup> U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement*. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

- The activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;
- VCP only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- VCP conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

VCP will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While VCP's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Section 17 below, there are significant risks associated with the business of VCP. Readers are strongly encouraged to carefully read all of the risk factors contained in *Item 17 – Risk Factors*.

## **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **4.1(1) Narrative Description of the Business**

#### **Business of VCP**

##### *General Business of the Resulting Issuer*

The below description of VCP will become the Resulting Issuer's business.

VCP is a leading U.S. multi-state cannabis consumer goods corporation that reaches over 75 million Americans with a portfolio of cannabis brands and award-winning customer-first retail experiences that help people feel good and live better, every day.

As a vertically integrated corporation with a consumer-centric “house of brands” approach, VCP manufactures and sells a well-rounded suite of branded cannabis products, targeted towards different customer segments, including flower, concentrates for dabbing and vaporizing, edibles, and topicals. VCP successfully distributes its portfolio of brands to 100% of open and operating retail stores in its active markets in the states of Illinois, Nevada, Maryland, Pennsylvania, Massachusetts, Florida and Ohio, some of which VCP owns as part of a rapidly growing 50-store national chain of retail cannabis stores called RISE™ Dispensaries.

Headquartered in Chicago, Illinois, VCP owns 58 operational licenses across seven highly regulated U.S. markets and is dedicated to providing dignified access to safe and effective cannabis nationwide, while giving back to the communities in which they serve. Established in 2015, VCP employs over 300 people and serves hundreds of thousands of customers from coast to coast.

## SUMMARY OF OPERATING BUSINESSES

VCP wholly owns and operates two distinct but accretive business units: a wholesale cannabis consumer packaged goods business (cultivation and manufacturing aka “the booze” in a prohibition analogy) and a national retail dispensary chain called RISE™ Dispensaries (“the bar”).

The manufacturing and retail businesses are operational today and vertically integrated across seven highly regulated, limited licensed, and therefore limited legal supply markets: Nevada, Illinois, Maryland, Massachusetts, Pennsylvania, Florida and Ohio. These markets, where supply and demand can be reasonably predicted and forecasted, create the foundation upon which VCP has created sustainable profitable growth.

Importantly, VCP is not yet active in markets popularized by mainstream media like California, Washington, Oregon and Colorado where loose regulatory frameworks create unpredictable supply-demand market dynamics.

This combination – ownership of wholesale and retail – supports VCP’s strategy of distributing brands at scale by enabling VCP to capture large market share, generate brand awareness, and earn customer loyalty in its operating markets. By guaranteeing share-of-shelf in its own retail stores and its ability to foster mutually beneficial relationships with its third-party dispensary customers as a large supplier of a portfolio of distinct and trusted cannabis brands, VCP’s wholesale and retail businesses have proven to be more than additive such that one plus one equals three.

With data at a premium in a nascent and highly fragmented industry, the reach, accessibility and deployment of VCP’s businesses across multiple states and operating segments enables VCP to analyze and deploy resources with confidence to satisfy the needs of consumers, customers, the business and investors.

## HOUSE OF BRANDS WHOLESALE CANNABIS MANUFACTURING AND DISTRIBUTION

VCP transforms raw cannabis flower into a “House of Brands” portfolio of consumer-packaged goods. Given the lack of a wholesale business to business marketplace for input ingredients like raw cannabis flower and purified cannabis oil, VCP gains leverage from being vertically integrated, and currently controls and operates 100% of the production supply chain, from seed to sale, with focus and prioritization on margin protected, value-add branding, sales and marketing. As such, VCP focuses on long term sustainable value creation and capture by developing, manufacturing and distributing a portfolio of branded cannabis products.

Activity Summary of VCP’s Wholesale Manufacturing Business:

<b>VCP Vertically-Integrated Manufacturing Activities</b>	
<b>CULTIVATION</b>	<ul style="list-style-type: none"><li>• VCP grows a variety 50 unique cannabis flower strains satisfying high opportunity consumer need-states.</li><li>• Current 260,000 square feet of cultivation and processing capacity, scaleable to 750,000 square feet.</li></ul>
<b>PROCESSING</b>	

<b>VCP Vertically-Integrated Manufacturing Activities</b>
<ul style="list-style-type: none"> <li>• VCP processes raw flower into unique, formulated oils, using a variety of extraction and purification techniques (BHO, CO<sub>2</sub>, Ethanol)</li> </ul>
<p><b>MANUFACTURING</b></p> <ul style="list-style-type: none"> <li>• VCP manufactures, assembles and packages cannabis finished goods across a variety of product segments (over 300 stock keeping units (“SKUs”) in product segments: <ul style="list-style-type: none"> <li>○ <i>Inhaleable</i>: flower, dabbable concentrates (e.g. budder, wax, crumble, shatter, live resin, sauce, terpene sugar), pre-filled vaporizer pens and cartridges</li> <li>○ <i>Ingestible</i>: capsules, tinctures, edibles including chocolates, gummies, mints, fruit chews, dissolvable mouth strips</li> <li>○ <i>Topical</i>: muscle cream, salve, lotion, trans-dermal patch</li> </ul> </li> </ul>
<p><b>SALES, MARKETING + DISTRIBUTION</b></p> <ul style="list-style-type: none"> <li>• VCP markets, sells, and distributes a portfolio of cannabis brands to licensed retail dispensaries (VCP owns one out of every 17 stores, as RISE™ dispensaries; VCP sells its branded products in 97 out of 97 stores) <ul style="list-style-type: none"> <li>○ VCP seeks to maintain significant share of shelf in owned retail outlets</li> <li>○ VCP has 100% retail distribution of its brands in its operating markets, currently: <ul style="list-style-type: none"> <li>▪ Illinois: distribution in 55 out of 55 stores</li> <li>▪ Maryland: distribution in 42 out of 42 stores</li> </ul> </li> </ul> </li> </ul>

Importantly, VCP does not strive to be a long-term cannabis farmer and anticipates that specialization and consolidation along the supply chain will force out high-cost providers, or those that fail to deliver a unique customer value proposition (such as small-batch craft or organic growers) and are therefore not capable of sustaining profit margin to withstand inevitable price compression of the commoditized portion of the supply chain.

VCP develops, manufactures and distributes a portfolio of branded cannabis products including brands such as rythm™ and Dogwalkers™, among others, to its retail partners, some of which VCP owns as a chain of retail stores called RISE™ branded dispensaries.

**NATIONAL 50-STORE RETAIL CHAIN: RISE™ DISPENSARIES**

Critical to converting the U.S.’s estimated \$70 billion industry<sup>14</sup> from illegal to legal, taxable, cannabis sales is the availability of safe and accessible outlets for the purchase of cannabis products. In U.S. markets with legal programs, this primarily takes place in brick-and-mortar retail stores.

Historic stigmatization and mis-information combined with rapid product innovation since the onset of the U.S. market, and the large number of new consumers into the legal market, makes the retail environment a key gatekeeper and steward of product education and efficacy to the end consumer.

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<sup>14</sup> <https://www.bloomberg.com/news/articles/2018-06-05/wall-street-s-cannabis-investments-stay-hush-hush-due-to-stigma>

With this in mind, VCP created RISE™ Dispensaries – an award-winning relationship-centric retail chain focused on delivering a high level of customer service through:

- high-engagement consumer interaction;
- a consultative, transparent and education-forward selling approach; and
- a consistently available and affordable variety of cannabis products.

All of the above takes place in a bright, uplifting environment modeled after other mainstream communal gathering spaces like a bar or a café, whose physical layout facilitates a sense of community, open dialogue, and empowerment. The outcome is consumer confidence that drives customer loyalty, purchase frequency, transaction size, which has enabled RISE™ to gain significant market share. To date, VCP's retail portfolio has serviced over 11,000 unique medical customers and conducted over 25,000 transactions to recreational adult use consumers.

**GTI RETAIL  
KEY METRICS**

- ✓ AWARD-WINNING CUSTOMER SERVICE
- ✓ 45 HIGH VOLUME RETAIL LOCATIONS WITH LARGE MARKET SHARE
- ✓ THOUSANDS OF SKUS IN INVENTORY

<b>POPULATION</b>	63M
<b># U.S. STATES</b>	6
<b># RETAIL LOCATIONS</b>	
<b>OPEN</b>	12
<b>OPEN BY YE 2018<sup>1</sup></b>	20+
<b>AVG. RETAIL SQ. FT.</b>	1,875
<b>ANNUAL REVENUE / SQ. FT.</b>	~\$2,300
<b>SAME STORE SALES (APR 2018)</b>	80%+



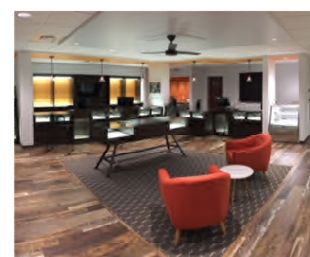
**EXTERIOR OF RISE SILVER SPRING**  
Silver Spring, Maryland



**RISE BETHESDA RETAIL FLOOR**  
Bethesda, Maryland



**RISE ERIE SERVICE COUNTER**  
Erie, Pennsylvania



**RISE AMHERST RETAIL + LOUNGE**  
Amherst, Massachusetts

Multiplying the significance of owning a rapidly growing retail footprint is the ability for VCP to control share-of-shelf and sale of its own portfolio of branded cannabis products, where, alongside the offerings of other third-party cultivators, VCP aims to maintain significant shelf space for its own products in owned-retail outlets. With the retail environment at the front line of the consumer purchase decision, this supplier power is highly accretive in a way that is difficult to duplicate without such vertically integrated scale.

VCP is licensed for 50 retail stores nationwide, with 13 open and operating stores and is on schedule for several more to open by the end of 2018.

**NAVIGATING A RAPIDLY EVOLVING INDUSTRY WITH A SIMPLE BUSINESS PLAN:  
ENTER, OPEN, SCALE**

For measured, scalable growth, VCP employs a simple business plan which characterizes three critical milestones to achieving operational success for both its wholesale and retail businesses: enter, open, scale.

- Enter: Identify and enter viable markets that support the Corporation's business model. Market entry occurs in two ways:
  1. Apply and win a State-issued license in competitive merit-based application process:
    - VCP has won 17 of its 58 licenses;
  2. Purchase or acquire a State-issued license from a third-party seller
    - VCP has a track record of successful M&A transactions and has purchased 40 of its 58 licenses.
- Open: Often an underestimated, yet critical stage on the path to operating, opening a licensed marijuana facility entails an intimate understanding of not only State, but local nuance, and importantly business operating experience:
  1. State and local municipality and community dynamics;
  2. Real estate identification that satisfies local zoning and permitting requirements (often marijuana facilities cannot be located within 500-1,000 feet of churches and child-gathering areas (i.e. schools, childcare facilities, parks and other play centers); and
  3. Rigorously operate the business following key performance indicators for sustainable, profitable growth, including:
    - *Wholesale*: Cost to build, production yield, order fill rates, production forecast accuracy, gross margin, % retail distribution;
    - *Retail*: Cost to build, revenue per square foot, same store sales, transaction size, purchase frequency, unique visitors, repeat visitors, product mix, margin, dollars sold on promotion; and
    - *People*: full-cycle recruitment and time to fill, company accolades, employee engagement, wholistic talent assessment, career progression, and turnover (voluntary and involuntary).
- Scale: Operating efficiency comes with realizing the benefits of scale. Across its business, VCP approaches scale in four key ways:
  1. Current Market Wholesale Capacity Expansion: scale manufacturing capacity as justified by supply-demand market dynamics;
  2. Current Market Retail Expansion: pursue expansion of retail footprint in operating markets, most commonly by acquiring retail licenses;



3. New Market Expansion: identify new markets that support VCP’s business model. Each new market entered becomes marginally cheaper as resources can be deployed across a larger revenue base. Here, the “enter, open, scale” model then repeats; and
4. Infrastructure: people, processes and technology that drive high performance.

Importantly, inexperienced or underfunded management can and often fail to move beyond the first entry phase, where without an intimate understanding of how to navigate a complicated regulatory and capital constrained environment, operators run out of time and money in the pursuit of profitability. This rapid fallout fuels the Corporation’s scale pipeline, which so far VCP has been able to capitalize.

#### Summary of VCP Wholesale Manufacturing and Retail Positions by Operating Market by Phase:

##### Illinois

###### 1. Manufacture

- *Enter:* Won three of 20 cultivation and processing licenses in competitive merit-based application process issued by the State in June 2015; located in Western and Central Illinois. VCP returned one of the three state-awarded licenses to the State because supply-demand market dynamics did not justify capital allocation to three separate manufacturing facilities.
- *Open:* November 2015: First to market selling and distributing branded wholesale cannabis products to retail dispensaries.
- *Scale:* 2018: indoor capacity expansion.

###### 2. Retail

- *Enter:* Won one out of 55 retail licenses in competitive merit-based application process issued by the State in June 2015.
- *Open:* November 2015: First to open retail store and sell to registered consumers.
- *Scale:* May 2016 Acquired second retail store, opened September 2016; October 2017: VCP purchased two retail stores in high traffic Chicago suburbs.

##### Nevada

###### 1. Manufacture

- *Enter:* Purchased one cultivation license and one processing license in March 2016.
- *Open:* Q2 2018 construction begins cultivation and processing facility.
- *Scale:* monitor market supply-demand and expand capacity accordingly.

###### 2. Retail

- *Enter:* January 2016 VCP purchases two retail licenses from a third-party seller.
- *Open:* September 22, 2017 Opens first dispensary in Carson City, Nevada. January 1, 2018: VCP opens second store in Northern Nevada, 10 minutes from Nevada’s third most populated city, Reno.
- *Scale:* 2018 VCP begins diligence for marquee retail in Las Vegas.

##### Maryland

1. Manufacture
  - *Enter:* VCP earned a winning score for one of 15 cultivation licenses in the State's competitive, merit-based application process, but was not awarded the license. VCP partnered with Chesapeake Alternatives in a joint venture for the ownership and management of a processing license. VCP was awarded a cultivation license in April 2018.
  - *Open:* December 2017 VCP is first to sell and distribute branded cannabis products to open Maryland retail dispensaries.
  - *Scale:* April 2018 VCP begins expansion of production facility for the buildout of its cultivation facility.
2. Retail
  - *Enter:* VCP wins one of 102 retail licenses in the State's competitive, merit-based application process. VCP partners with Chesapeake Alternatives in a joint venture for the ownership and management of a retail license.
  - *Open:* December 2017 VCP opens RISE™ Bethesda and begins sales of medical cannabis to licensed customers on the first day of retail sales in the State.
  - *Scale:* April 2018 VCP opens its third retail dispensary in Maryland; VCP on track to open its fourth and fifth RISE™ Maryland locations.

## Pennsylvania

1. Manufacture
  - *Enter:* June 2017 VCP earns the highest score and wins one of five vertically integrated cultivation and processing licenses in the State's competitive merit-based application process (a total of 12 cultivation/processing licenses were awarded; only five to companies who won cultivation and retail).
  - *Open:* December 2017 VCP completes construction; May 2018: VCP begins selling and distributing branded cannabis products to open retail dispensaries.
  - *Scale:* June 2018 VCP scheduled to complete the buildout of its processing laboratory.
2. Retail
  - *Enter:* June 2017 VCP earns the highest score and wins three of 80 retail licenses in the State's competitive merit-based application process for locations in Northwest and South Central, Pennsylvania.
  - *Open:* April 2017 VCP opens first dispensary in Erie County.
  - *Scale:* Q1 2018 VCP acquires 3 additional retail licenses from third-party seller; May 2018 VCP completes buildout and opens second and third retail store in Pennsylvania, with stores 4-6 scheduled to open by year end.

## Massachusetts

1. Manufacture
  - *Enter:* November 2016 VCP wins two vertically integrated cultivation and processing licenses in application process; November 2017: VCP wins third.
  - *Open:* March 2016 - April 2018 VCP identifies real estate and constructs cultivation and processing facility in Holyoke, Western Massachusetts; Q4 2018: VCP to begin selling wholesale cannabis.
  - *Scale:* VCP on track for priority approval to convert license from medical only sales to allow sale of cannabis to adults aged 21+ in H2 2018.
2. Retail

- *Enter:* VCP wins three retail licenses with the above vertically integrated application award.
- *Open:* May 2018 VCP opened its first dispensary in Massachusetts: RISE™ Amherst, located in densely populated college town.
- *Scale:* Second half of 2018 VCP to open second and third dispensary in Massachusetts.

## Florida

### 1. Manufacture

- *Enter:* VCP executed a definitive agreement for a vertically integrated cultivation/processing/retail license in Florida, on track to close the acquisition in the fourth quarter of 2018.
- *Open:* Q4 2018 begin selling.
- *Scale:* Continue to grow and develop portfolio.

### 2. Retail

- *Enter:* VCP executed a definitive agreement for 25 retail license in Florida, on track to close the acquisition in the fourth quarter of 2018.
- *Open:* May 2018 VCP on track to open its first dispensary in Florida, under the RISE™ banner in the fourth quarter of 2018.
- *Scale:* VCP to continue pipeline of retail store openings.

As wholly-owned and operated businesses, VCP's operating structure facilitates the rapid expansion and progression through the enter, open, and scale phases, such that the marginal cost of operating decreases with each new facility and enables VCP to deliver brand consistency from market to market.

### *Business Objectives of the Resulting Issuer*

Following completion of the Transaction, the principal business intended to be carried on by the Resulting Issuer is to continue to execute on its established business plan of Enter, Open, Scale, which includes the continued operation of the Corporation's existing base business, and importantly executing on the Resulting Issuer's growth plans, which are characterized by four key strategies to deliver the ultimate goal to manufacture and distribute cannabis brands at scale:

1. **New Market Expansion:** identify new markets that support VCP's business model. Each new market entered becomes marginally cheaper as resources can be deployed across a larger revenue base. Here, the "enter, open, scale" model then repeats.
2. **Expand Current Market Wholesale Capacity:** scale manufacturing capacity as justified by supply-demand market dynamics.
3. **Expand Current Market Retail Footprint:** pursue expansion of retail footprint in operating markets, most commonly by acquiring retail licenses.
4. **Build Infrastructure:** people, processes and technology that drive high performance.

In the 12 months following completion of the Transaction, the Resulting Issuer expects to:

1. **New Market Expansion**

- a. *Ohio*: In June 2018 VCP was awarded five dispensary licenses. The award of a medical marijuana processing licence is expected in June 2018.
2. Expand Current Market Wholesale Capacity
    - a. *Illinois*: Complete the construction and buildout of additional indoor cultivation capacity.
    - b. *Nevada*: Complete the construction and buildout of the Resulting Issuer's cultivation and processing facility in Northern Nevada, with estimated first sale of finished goods Q4 2018.
    - c. *Maryland*: Complete the construction and buildout of the indoor cultivation facility to serve as raw material input to the adjacent and already operating processing and manufacturing facility. In April 2018, VCP was awarded a cultivation license.
    - b. *Pennsylvania*: First sale and distribution of finished goods May 2018. Expand wholesale capacity for flower growth, sales and distribution. Pennsylvania is expanding the allowable products for sale to include flower. Flower as a product category is typically 50% of retail sales.
    - c. *Massachusetts*: Begin wholesale distribution of the Resulting Issuer's branded cannabis. VCP is currently growing cannabis in Massachusetts with estimated first sale of finished goods commencing Q4 2018.
    - d. *Brand Development & Distribution*:
      - i. Continue to maximize distribution of the suite of branded cannabis packaged goods to retail dispensaries in current operating markets.
      - ii. Invest in the development and marketing of additional branded products to exploit underserved market opportunities and consumer segments in current and new markets.
      - iii. Continue to identify and leverage current and new brand partnerships in which VCP acts as a co-manufacturing and sales and marketing partner both in current and new markets.
      - iv. Explore and execute on the co-manufacturing, licensing, or partnership of VCP developed branded products into other markets in which VCP does not currently own and operate a license to cultivate, process, manufacture, or sell cannabis.
3. Expand Current Market Retail Footprint
    - a. *Illinois*: Remodel and expand consumer throughput capacity of four currently operating retail stores. Stores will be remodeled and rebranded as RISE™.
    - b. *Nevada*: Continue due diligence on RISE™ Nevada retail footprint expansion, via mergers and acquisitions.

- c. *Maryland*: Open two remaining RISE™ stores currently under construction. VCP holds five retail licenses in Maryland. Three of the five stores are currently open and operating as of the date of this Listing Statement.
- d. *Massachusetts*: Open first RISE™ store in Massachusetts. Construction is complete. Tentative opening in the second quarter of 2018. Commence construction, buildout and opening of second RISE™ Massachusetts location.
- e. *Pennsylvania*: Open three remaining RISE™ stores currently under development. VCP holds six retail licenses and three of the six stores are open and operating as of the date of this Listing Statement.
- f. *Florida*: Identify location, complete construction and open first of up to 25 RISE™ Florida locations.

#### 4. Build High-Performing Infrastructure

- a. *Key Personnel Hires*: Continue to recruit and hire high-performing and experienced team members to lead and support growing operations in key business development areas: operations, field sales, retail, and branding and marketing, while minimizing turnover of current employee base, which is over 300 people nationally as of May 1, 2018. VCP was Voted one of Crain's Best Places to Work in 2018. Crain's is a weekly Business Publication<sup>15</sup>.
- b. *Technology*: Continue development and implementation of information technology systems for efficient intra-company data accessibility, storage, and security.

The Resulting Issuer is budgeting \$91,592,000 for expenses related to capital expenditures, regulatory fees, working capital and professional fees over the next 12 months.

#### *Significant Events or Milestones*

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

1. *New Facility Operations*: on-time and on-budget completion of both wholesale capacity expansion initiatives and retail openings.
2. *Hiring of Key Personnel*: Successful and timely hiring of key personnel to support execution of scale and growth initiatives.
3. *Execution of Business Model*: Current outlined projects are funded with a strong balance sheet. Significant market changes, or delayed facility openings, that impact revenue projections would necessitate additional capital to execute.

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<sup>15</sup> <http://www.chicagobusiness.com/section/best-places-to-work-list>

4. Regulatory Approval: The above growth objectives assume the timely approval from respective State regulatory agents including for facility expansion, updates and openings, as well as approval on materials for the purpose of branding, marketing and selling the Resulting Issuer's cannabis finished packaged goods, and marketing of the Resulting Issuer's retail stores, RISE™ dispensaries. Regulatory delays may affect outcomes.
5. Industry-Wide Regulatory Changes: The Resulting Issuer's activities assume current and relatively known anticipated regulatory environments, including the expansion of the Massachusetts market to include 21+ adult use sales and permitted wholesale distribution of finished good to third-party retailers in Massachusetts in the second half of 2018. Regulatory delays or changes may affect outcomes.

#### *Total Funds Available*

The pro forma working capital position of the Resulting Issuer as at March 31, 2018, giving effect to the Transaction as if it had been completed on that date, was approximately \$150,173,320.

As at March 31, 2018 (the end of the VCP's most recent interim period for which financial statements have been published), VCP had working capital of \$35,524,301. The Resulting Issuer expects to have positive cash flow from operations to fund its ongoing operations in its existing markets.

The consolidated pro forma balance sheet of the Corporation, which gives effect to the Transaction as if it had been completed on March 31, 2017, is attached hereto as Schedule "E".

#### *The Financing*

Pursuant to an engagement letter dated April 25, 2018 (the "**Engagement Letter**"), VCP engaged GMP Securities L.P. on behalf of a syndicate of agents (the "**Agents**"), to complete a private placement (the "**SR Offering**") of GTI Finco Subscription Receipts at a price that is expected to be C\$7.75 per Subscription Receipt (the "**SR Offering Price**") for gross proceeds of up to \$86,800,000.

Upon satisfaction of the Escrow Release Conditions at or before the Escrow Release Deadline (as defined herein), each GTI Finco Subscription Receipt will be automatically exchanged for one common share of GTI Finco immediately prior to and in connection with the completion of the Transaction without payment of additional consideration or further action on the part of the holder in accordance with a subscription receipt agreement to be entered into between GTI Finco, VCP, GMP, on behalf of the Agents, and the subscription receipt agent to be appointed thereunder.

The gross proceeds of the SR Offering, less 50% of the Agents' commission payable in respect of retail orders and all of the expenses of the Agents incurred in connection with the SR Offering, will be held in escrow by the Escrow Agent and invested in an interest bearing account, short-term obligations of, or guaranteed by, the Government of Canada or any other investments that may be approved by GMP pending the satisfaction of the Escrow Release Conditions. The funds held in escrow by the Escrow Agent, together with all interest and other income earned thereon, are referred to herein as the "**Escrowed Funds**".

Provided that the Escrow Release Conditions (as defined in the Engagement Letter) are satisfied on or prior to the date that is 120 days from the date of the closing of the SR Offering (the “**Escrow Release Deadline**”), the Escrowed Funds will be released from escrow by the Escrow Agent as follows: (a) to the Agents, an amount equal to the balance of the Agents’ commission, together with any interest earned thereon, and any expenses incurred by the Agents and not already paid by GTI Finco in connection with the SR Offering; and (b) to GTI Finco, an amount equal to the Escrowed Funds, less the foregoing deductions.

If the Escrow Release Conditions have not been satisfied on or prior to the Escrow Release Deadline, the Escrowed Funds, together with any interest accrued thereon, shall be returned to the holders of the GTI Finco Subscription Receipts on a pro rata basis and the GTI Finco Subscription Receipts shall thereafter be cancelled. GTI Finco shall be responsible and liable to the holders of the GTI Finco Subscription Receipts for any shortfall between the aggregate GTI Finco Subscription Receipt price paid by the original purchasers of the GTI Finco Subscription Receipts and the amount of the Escrowed Funds.

In connection with the SR Offering, VCP will pay a cash fee to the Agents equal to 8.0% of the gross proceeds of the SR Offering sourced by Agents in accordance with the terms and conditions of the agency agreement to be entered into in due course by GTI Finco, VCP and the Agents in connection with the completion of the SR Offering, provided that the cash fee payable to the Agents will be reduced to 4.0% in respect of sales to subscribers on the president’s list. As additional consideration, the Agents will be granted compensation options (“**Compensation Options**”) equal to 4.0% of the number of GTI Finco Subscription Receipts issued under the SR Offering (provided that the number of Compensation Options shall be reduced to 2.0% in respect of sales to subscribers on the president’s list). Each Compensation Option will be exercisable for one common share of GTI Finco or one common share of the Resulting Issuer (subject to any necessary adjustments), as applicable, at the SR Offering Price for a period of 24 months following the satisfaction of the Escrow Release Conditions.

#### *Purpose of Funds*

Upon completion of the Transaction, the Resulting Issuer expects to have approximately \$115,000,000 available to it to spend for the principal purpose of acquiring KW Ventures Holdings, LLC and subsequent build out, supporting its efforts to produce and sell recreational cannabis and for general corporate purposes. 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 also require additional funds in order to fulfill its expenditure requirements to meet existing and any new business objectives and expects to either issue additional securities or incur debt to do so. VCP has invested approximately \$25 million in capital expenditures associated with the build out of cultivation and dispensary facilities in Massachusetts and Pennsylvania and approximately \$11 million in spent for working capital and general corporate purposes since March 31, 2018. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required. It is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer’s objectives for the forthcoming 12 month period. The amounts shown in the table below are estimates only and are based on the information available to the Resulting Issuer as of the date of this Listing Statement.

### *Forecast 12 Month Budget*

Expected Funds Available to the Resulting Issuer <sup>(1)</sup>	\$115,000,000
Committed to acquisition of KSGNF, LLC and subsequent build out	\$50,000,000
General and Administrative Expenses	\$25,847,000
Future Capital Expenditures	\$25,745,000
Excess Funds Available to the Resulting Issuer for General Working Capital	\$13,408,000

Note:

(1) The Corporation expects to have positive cash from operations over the next 12 months to contribute to funding its ongoing operations.

### *Ability to Access Public and Private Capital*

Due to the present state of the laws and regulations governing financial institutions in the United States, banks often refuse to provide banking services to businesses involved in the marijuana industry. Consequently, VCP is not able to obtain bank financing in the United States or financing from other United States federally regulated entities.

VCP has historically, and continues to have, robust access to equity and debt financing from prospectus exempt (private placement) markets in the United States. VCP's executive team and board have extensive relationships with sources of private capital (such as funds and high net worth individuals).

In addition to VCP's working capital, the capital raised from its US\$45 million convertible promissory note private placement in April 2018, and the expected proceeds from the SR Offering, VCP expects to generate adequate cash to fund its continuing operations. VCP's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Accordingly, VCP expects to raise additional capital, both in the form of debt and new equity offerings, during the next fiscal year.

There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. See *Item 17 Risk Factors – Restricted access to banking* and *Item 17 Risk Factors – Newly-established legal regime*.

#### **4.1(2) Principal Products or Services**

VCP believes that brands distributed at scale will win. As such, it currently has and continues to develop a fast-growing "House of Brands" approach to the development, manufacture, sales, and marketing of finished cannabis consumer packaged goods for distribution to third-party retail outlets as well as its own national retail chain RISE™ dispensaries.

VCP's House of Brands strategy means that unlike many of its competitors in the nascent cannabis industry, its finished cannabis consumer packaged goods are not named after the namesake VCP, but rather a suite of distinct lifestyle and aspirational brands developed leveraging unique consumer insights, customer and product segmentation and targeted use case. Proprietary analysis of consumer stated preferences, actual and anticipated purchase data, and primary and secondary market research enables VCP to capitalize on underserved or



outsized market opportunities so that VCP's brand portfolio targets and meets a variety of unique consumer needs, now and anticipated in the future.

Currently, VCP manufactures, sells, and markets brands comprehensive of available and permitted U.S. product cannabis categories, including: flower, pre-rolls, dabbable concentrates (i.e. wax, budder, live resin, shatter, sauce, etc.), concentrates for vaping including disposable and pre-filled cartridges, capsules, tinctures, edibles (including: chocolates, gummies, mints, mouth strips), and topicals (including: cream, muscle freeze, transdermal patch).

VCP produces over 40 strains and product formulations targeted to specific consumer use-cases and employs processing techniques including butane extraction, carbon dioxide extraction, ethanal extraction, and carbon filtering.

VCP maintains strict brand and quality assurance standards and implements standard operating procedures across its cultivation, processing and production facilities to ensure product continuity and customer experience across all operating markets. This includes the centrally-managed procurement of all equipment, packaging, and materials inputs.

VCP currently sells and distributes its suite of brands to 100% of open retail dispensaries in its operating markets:

- *Illinois*: VCP sells and distributes its portfolio of brands to 55 out of 55 stores
- *Maryland*: VCP sells and distributes its portfolio of brands to 49 out of 49 stores
- *Pennsylvania*: sales to began in May 2018
- *Massachusetts*: sales to begin Q4 2018
- *Nevada*: sales to begin Q4 2018
- *Florida*: Florida is 100% vertically integrated; VCP will sell its suite of branded products through its own retail stores by year end 2018

## **Research and Development**

VCP's research and development activities have primarily focused on developing and testing different nutrient blends and lighting as part of efforts to increase the efficiency of the processes used to produce its products.

VCP also experiments with plant spacing and yield trialing, cannabis variety trialing and breeding, and improved pest management techniques.

VCP also engages in research and development activities focused on developing new extracted or infused products.

VCP estimates that costs associated with their development will be approximately US\$5 million including costs associated with obtaining the necessary equipment for production. Research and development will be conducted by the Resulting Issuer.

### **4.1(3) Production and Sales**

#### **Cultivation and Production**

Each cultivation and processing facility focuses primarily on the commercialization of cannabis (recreational and/or medical, as indicated below), as well as the research and development of

new strains of cannabis. At all of its facilities, VCP places a heavy emphasis on customer/patient safety, and maintaining strict quality control. The methods used in VCP's facilities result in several key benefits, including consistent production of high quality product and the absence of product recalls and customer/patient complaints.

Pennsylvania: The facility located in Danville, Pennsylvania is comprised of a 70,000 square foot cultivation and processing facility and sits on a total of 10 acres of land. The production facility includes state-of-the-art production and extraction equipment. The first batch of plants were planted in December 2017 and sale of product commenced in May 2018.

Illinois: There are two cultivation/processing facilities in Illinois – one in Rock Island and one in Oglesby. The Rock Island facility is comprised of a 50,000 square foot cultivation and processing. The production facility includes state-of-the-art production and extraction equipment. The first batch of plants were planted in July 2015 and the facility has been in continuous production and sale of cannabis and cannabis products since that time. The Oglesby facility is comprised of a 50,000 square foot cultivation facility.

Massachusetts: VCP has one 45,000 square foot co-located cultivation/processing facility located in Holyoke, Massachusetts. The Holyoke facility is comprised of a 17,000 square foot cultivation facility co-located with a 3,000 square foot processing facility that is currently being built out. The production facility includes state-of-the-art production and extraction equipment. The first batch of plants were planted in April 2018 and it is anticipated that sale of product will commence in September 2018.

Maryland: VCP entered into a joint venture agreement with Chesapeake Alternatives for the ownership and management of a processing license, through which the Corporation operates a 6,000 square foot processing facility in Centreville, Maryland.

VCP anticipates closing its acquisition of KW Ventures Holdings, LLC, which has medical marijuana dispensaries in Steelton, Pennsylvania and Carlyle, Pennsylvania and a dispensary in York, Pennsylvania, which is anticipated to open in the 3rd Quarter 2018. Pursuant to the terms of the Contribution Agreement with KW Ventures Holdings, LLC executed on February 14, 2018, GTI Pennsylvania, LLC will purchase the businesses of KW Ventures Holdings, LLC in exchange for a 9.9% membership interest in GTI Pennsylvania, LLC. Prior to the closing of this acquisition, GTI Pennsylvania, LLC agreed to fund KW Ventures Holdings, LLC a total of \$3 million pursuant to an Amended and Restated Line of Credit Promissory Note as well as executed a Management Services Agreement, both of which were executed on February 14, 2017.

VCP has entered into a letter of intent with Revolution Maryland Retail, LLC, the holder of the right to operate a medical marijuana dispensary in the State of Maryland, to enter into a management services agreement and purchase 100% of the membership interest of Revolution Maryland Retail, LLC for cash. It is anticipated that the closing of the acquisition will occur in the third quarter of 2018 and that the dispensary will be located in Abingdon, Maryland.

VCP has entered into a letter of intent with MGTM, LLC, the holder of the right to operate a medical marijuana dispensary in the State of Maryland, to purchase 100% of the membership interest of MGTM, LLC for Corporation equity. It is anticipated that the closing of the acquisition will occur in the third quarter of 2018 and that the dispensary will be located in Gambrills, Maryland.

VCP has entered into a definitive agreement with KSGNF, LLC, the holder of a license to operate a medical marijuana treatment center in the State of Florida, to purchase KSGNF, LLC in exchange for a combination of cash and VCP equity. VCP has also entered into a credit agreement and promissory note with KSGNF, LLC to provide it with working capital for its Florida business. It is anticipated that the acquisition will close in the fourth quarter of 2018.

### **The U.S. Dispensary Distribution Model and Landscape: Complex and Highly Fragmented**

Dispensaries are the only legal retail sales outlets from which consumers can purchase legal cannabis products. Consumer access to these retail outlets is critical in converting the U.S.'s estimated \$70 billion in legal demand to the legal market<sup>16</sup>.

The U.S. dispensary network is highly fragmented, state by state, with mom-and-pop ownership not unlike that of the U.S. convenience store network where gaining product distribution in each store is a complex undertaking: reliant on sophisticated sales teams selling products in demand by retail buyers on behalf of the consumers they serve.

Some operators only own dispensaries, and some only own and operate wholesale manufacturing facilities. Few own and operate both wholesale and dispensary businesses and leverage the combination of the two, in the way and at the scale that VCP does.

- **Supplier Power:** holding significant market share of packaged cannabis products enables VCP to create in-demand relationships with the dispensary networks in each respective market.
- **Buyer Power:**
  - o owning large market share of retail stores positions VCP as large buyers of third-party cultivation and processed products.
  - o owning and operating a national chain of retail stores puts VCP on the frontlines of direct interaction with the end consumer.

In the fledgling cannabis industry, for a company in the branded consumer packaged goods business, it is highly accretive to own retail outlets which are singularly permitted to sell finished goods directly to consumers. This symbiotic relationship ensures VCP's distribution and sales of its portfolio of branded products. Following the alcohol analogy, to own the bar means you can guarantee your booze is stocked, poured and introduced to new guests every day.

### **VCP owns and operates a 50-store national chain of retail stores called RISE™ Dispensaries with mature revenue**

With a deeply embedded community-minded philosophy, RISE™ takes on the name of each of the communities in which it operates (for example, RISE™ Carson City, located in Carson City, Nevada.) VCP wholly owns a national footprint of 50 retail licenses, with 13 stores open and operating with more than 20 open stores expected by the end of calendar year 2018.

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<sup>16</sup> <https://www.investors.com/news/marijuana-sales-after-legalization-compares-with-beer-wine-cigarette-sales/>

In Illinois, VCP holds four of the 55 State-issued licenses. VCP was the first to sell cannabis to retail consumers on the first day of the program in November 2015.

VCP owns and operates two RISE™ stores in Northern Nevada, one in the state capital of Carson City and one in Reno Nevada. Open since September 2016 and January 2018, respectively, both stores currently sell state approved cannabis products to all adults aged 21+. RISE™ Carson City was voted Best Customer Service in 2017 by the Nevada Appeal, a Nevada-based news source, and is the Corporation's flagship training center<sup>17</sup>.

VCP holds five licenses for stores in Maryland, in Silver Spring, Bethesda, Joppa, Abingdon and Gambrills, Maryland. Three of the five are currently operating and the remaining two stores are under construction for openings scheduled for July and September 2018, respectively.

In Pennsylvania, VCP holds six licenses for retail locations under the banner RISE™ in the Northwest and South Central regions. Three are open and operating with the balance on-schedule openings slated for Q3 2018, one of which is located on a hospital campus.

VCP holds licenses for three retail stores in Massachusetts, with the first VCP RISE™ Dispensary open in Amherst – one of the Nation's most densely populated college towns and what will be only one of three stores serving Western Massachusetts. The Corporation's remaining two stores are scheduled for openings in Q4 2018 – one will add to the Western Massachusetts fleet and the other located in the Eastern urban corridor.

VCP owns and operates 25 retail licenses serving the 21 million population in Florida. VCP is identifying real estate in marquee, high traffic locations for expected store openings by the end of 2018.

In June 2018, VCP was awarded the right for 5 medical marijuana dispensary licenses from the Ohio Board of Pharmacy. The locations of the Ohio dispensaries will be located across Northern Ohio. VCP also has a medical marijuana processing license application pending with the Ohio Board of Pharmacy, which is anticipated to announce processing license awardees by the 2nd Quarter 2018.

VCP aims to deliver a consistent, repeatable and reliable retail experience for consumers across its fleet of 50-stores, enabled by its corporate operating structure and rooted in delivering legendary customer service by offering a wide assortment of safe and tested cannabis products at fair prices.

### **The Art and Data Science of Merchandising: A Variety of Cannabis Products at Fair Prices**

To meet the array of unique customer needs, VCP sells a variety of cannabis products at each of its RISE™ stores, totaling thousands of SKUs in managed inventory, comprehensive of product categories including: flower, concentrates for dabbing and for vaporizing (including disposable and pre-filled cartridges), topicals (bath and beauty products), and edibles (confection, beverages, snacks).

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<sup>17</sup> <https://www.nevadaappeal.com/news/local/2017-best-of-carson-city-winners-celebrated/>

VCP's RISE™ stores sell cannabis products from a variety of licensed cultivator-manufacturers, including VCP's own portfolio of branded cannabis products. With shelf space at a premium as the final stop before the consumer purchase decision, VCP strives to maintain significant shelf space of its own manufactured and branded products in its owned retail outlets and significant market share in its dispensary customers to which it distributes.

All products sold have passed State-mandated third-party testing to assure they are free from toxins, microbials and other harmful substances, inventoried in comprehensive seed-to-sale tracking software to minimize product slippage and deviated inventory, and meet VCP's vendor requirements for quality assurance and reliability.

RISE™ dispensaries is not a low-cost provider, nor is it a boutique, premium outlet. Rather, VCP offers its variety at a range of price points following a “good, better, best” approach, offering opportunities for low barrier to entry trial as well as premium trade-up offerings.

VCP's proprietary consolidation and analysis of State-mandated tracking of transaction level data, across seven markets and 13 open stores representing consumers in both adult use and “medical” markets from the west coast to the east coast, arms it with an incredible amount of customer-level data, which in aggregate provide a very clear and consistent representation of actual consumer purchase behavior (vs. self-reported, third-party research on intent to buy or preference), including purchase volume trends across categories, purchase frequency, price elasticity, loyalty, segmented customer data and demographics.

At the macro level, VCP leverages this information to ensure that share of shelf is allocated to product categories that reflect purchase behavior and are optimized for market opportunity. VCP builds its merchandising assortment in this way – rooted in data, yet accounting for shifting consumer trends and new category consumers with a deep understanding that tomorrow's retail shelf may look different than today's.

### **A Business of Continual Optimization**

With a framework and guidance provided from the corporate level, but executed across each market, VCP makes regular practice of internally reporting daily, weekly and monthly sales dashboards that are assessed for proper allocation and alignment of (i) mix and assortment with market dollar opportunity and (ii) mix of owned products and third-party product.

Further, VCP's scale of RISE™ Dispensaries in each of its operating markets allows it to make macro purchasing agreements with third-party suppliers for economies of scale on wholesale cost of goods. Common with other mainstream retailers, VCP recognizes hyper-local tastes and preferences and makes micro, retail level industry adjustments as warranted by regular analysis of key performance indicators, including but not limited to: inventory turn, days of inventory on-hand, SKU level margin and margin contribution, SKU level velocity of sales, % volume sold on discount, and regular interaction and feedback direct from consumers.

Buying decisions are led by the store or region's General Manager with joint business planning from VCP's headquarters in Chicago.

### **Meet the Consumer where they are: Brick + Mortar, E-Commerce, and Delivery**

As part of VCP's commitment to delivering legendary customer service, VCP believes in meeting consumers where they are in the purchase cycle.

While VCP's primary retail presence is traditional brick and mortar facilities, VCP's Nevada operations, compliant with State regulations, provide both medical and adult use customers the option of purchasing legal cannabis products via e-commerce through VCP's website, RISE™dispensaries.com. There, registered and legal consumers can browse the full and current inventoried assortment, make product selections for purchase, and elect to pick up the order in-store or get it delivered direct to the consumer within two hours of ordering.

As regulations allow, VCP will continue to expand its e-commerce and pick up or direct to consumer delivery capabilities as part of its commitment to providing a consistent retail brand experience no matter where the consumer might be.

Regardless of how a consumer purchases cannabis from RISE™, VCP's operating scale enables capital share across markets to ensure the highest in-stock rates in order to maximize retail sales and customer satisfaction.

## **INTELLECTUAL PROPERTY**

From the time VCP became licensed to cultivate marijuana, it has developed proprietary cultivation techniques. It has also developed certain proprietary intellectual property ("IP") for operating butane extraction and carbon dioxide extraction and hydrocarbon extraction machinery, including best production practices, procedures, and methods. This requires specialized skills in cultivation, extraction and refining.

VCP has not registered any patents and is not in the process of registering patents.

VCP relies on non-disclosure/confidentiality agreements to protect its IP rights. To the extent VCP describes or discloses its proprietary cultivation or extraction techniques in its applications for cultivation or processing licenses, VCP redacts or requests redaction of such information prior to public disclosure.

### **4.1(4) Competitive Conditions and Position**

VCP's current operational footprint exists in state markets with relatively high barriers to entry and limited market participants. All three of the medical-only markets that VCP does business in (Illinois, Maryland, Pennsylvania) have written regulations that impose limitations on the number of business licenses that can be awarded. In all three of these markets, VCP has a proven track record of (i) entering the market through state-granted awards based on merit of application and business plan; and (ii) expanding market reach through accretive mergers, acquisitions, and partnership ventures. Given the limitations on market participation mandated by the state regulatory bodies, VCP's historical growth strategy has resulted in material gains in market share.

The recreational markets in which VCP operates in (Nevada and Massachusetts) have fewer barriers to entry and more closely reflect free market dynamics typically seen in mature retail and manufacturing industries. The growth of these markets poses a risk of increased competition. However, given VCP's runway as an original player in these states, which have historically been limited supply markets, management views VCP's market share as less at risk than operators without a current operating footprint. Additionally, VCP's historical business plan has been to open and operate in localities with limited competition. Management believes this mitigates the risk of increased statewide competitive exposure.

Given all the above, VCP still faces competition from other companies that may have a higher capitalization, access to public equity markets, more experienced management or may be more mature as a business. The vast majority of both manufacturing and retail competitors in our markets consist of localized businesses (i.e. doing business in only a single state market). There are a few multi-state operators that VCP competes directly with in multiple of VCP's operating markets. Aside from this direct competition, out-of-state operators that are capitalized well enough to enter those markets through acquisitive growth are also considered part of the competitive landscape. Similarly, as VCP executes its national U.S. growth strategy, operators in our future state markets will inevitably become direct competitors.

See *Item 17 – Risk Factors – Competition*.

#### **4.1(5) Lending and Investment Policies and Restrictions**

This section is not applicable to the Corporation.

#### **4.1(6) Bankruptcy and Receivership**

Neither the Corporation nor VCP, nor any of their subsidiaries, have been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings, within any of the three most recently completed financial years (as applicable) or the current financial year.

#### **4.1(7) Material Restructuring**

See *Item 3.1 – General Development of the Business – The Transaction*.

#### **4.1(8) Fundamental Social and Environmental Policies**

The Corporation has not implemented social or environmental policies that are fundamental to the Corporation's operations.

#### **4.2 Asset Backed Securities**

The Corporation does not have any asset backed securities.

#### **4.3 Companies with Mineral Projects**

The Corporation does not have any mineral projects.

#### **4.4 Companies with Oil and Gas Operations**

The Corporation does not have any oil and gas operations.

## 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 5.1 Consolidated Financial Information – Annual and Interim Information

#### *The Corporation's Annual Information*

The following table sets forth selected financial information for the Corporation for the years ended February 28, 2017 and 2016. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements.

	As at and for the year ended February 28, 2016 (audited) (\$)	As at and for the year ended February 28, 2017 (audited) (\$)
Statement of operations		
Total revenue	Nil	Nil
Net loss from operations	(375,745)	(230,582)
Net loss	(1,327,622)	(205,935)
Net loss per share (basic and diluted)	(0.04)	(0.01)
Statement of financial position		
Total assets	3,528,576	1,174,104
Total liabilities	3,779,869	1,631,332
Cash dividends declared per share	Nil	Nil

See Schedule "A" – *Financial Statements of the Corporation*

#### *VCP's Annual Information*

The following tables set forth selected financial information for VCP as at and for the years ended December 31, 2017 and 2016. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements.

See Schedule "B" – *Financial Statements of VCP23, LLC*



## SELECTED ANNUAL FINANCIAL INFORMATION

	VCP as at and for the year ended December 31, 2016 (audited) (\$)	VCP as at and for the year ended December 31, 2017 (audited) (\$)
Statement of operations		
Total revenue	\$7,213,711	\$16,528,779
Net loss attributable to the Corporation	(\$3,096,171)	(\$4,047,526)
Statement of financial position		
Total assets	\$35,479,555	\$87,072,469
Total liabilities	\$3,618,602	\$21,788,435
Members' equity	\$31,860,953	\$62,657,684

### *The Corporation's Interim Information*

The following tables set forth selected financial information for the Corporation and VCP and selected pro forma financial statements of the Resulting Issuer as at and for as at and for the three months ended March 31, 2018. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements.

## SELECTED INTERIM FINANCIAL INFORMATION

	Bayswater as of November 30, 2017 (unaudited) (\$)	VCP as of March 31, 2017 (unaudited) (\$)	VCP as of March 31, 2018 (unaudited) (\$)	Resulting Issuer Pro Forma as at and for the three months ended March 31, 2018 (unaudited) (\$)
Statement of operations				
Net revenue	\$0	\$3,018,649	\$10,925,898	\$10,925,898
Gross profit (loss)	\$0	\$2,917,872	\$4,863,980	\$4,863,980
Net profit (loss) attributable to the Corporation	(\$129,511)	\$1,217,556	(\$1,580,969)	(\$1,352,925)
Statement of financial position				
Total assets	\$1,048,181	\$87,157,281	\$104,729,363	\$247,888,394
Total liabilities	\$1,634,920	\$21,788,435	\$23,152,650	\$16,222,355
Members/shareholders' equity	(\$586,739)	\$65,368,846	\$81,576,713	\$231,666,039

See Schedule “B” – *Financial Statements of VCP23, LLC* and Schedule “E” – *Consolidated Proform Financial Statements of the Resulting Issuer*.

## **5.2 Dividends**

The Corporation has not declared distributions on Subordinate Voting Shares in the past. The Corporation currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Corporation does not intend to pay dividends on Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the board of directors (“**Board of Directors**”) and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board of Directors deems relevant. The Corporation is not bound or limited in any way to pay dividends in the event that the Board of Directors determined that a dividend was in the best interest of its shareholders.

## **IFRS**

The financial statements included in this Listing Statement have been, and the future financial statements of the Corporation shall be, prepared in accordance with IFRS.

## **6. MANAGEMENT’S DISCUSSION AND ANALYSIS**

The Corporation’s MD&A for the nine months ended November 30, 2017 is attached to this Listing Statement as Schedule “C” – *MD&A of the Corporation*.

VCP23, LLC’s MD&A for the year ended December 31, 2017 and for the three months ended March 31, 2018 is attached to this Listing Statement as *Schedule “D” – MD&A of VCP23*.

## **7. MARKET FOR SECURITIES**

Prior to the closing of the transaction, the Corporation had been listed on the TSXV under the symbol “BYU.H”. The Resulting Issuer intends to be traded on the CSE under the symbol “GTII”.

## **8. CONSOLIDATED CAPITALIZATION**

The following table summarizes the Resulting Issuer’s consolidated capitalization of the share and loan capital of the Resulting Issuer as of the dates hereof before and after giving effect to the conversion of the Convertible Promissory Note triggered on the date of the business combination and the Subordinate Voting Shares issuable pursuant to the Transaction as though it had occurred on such date. The table should be read in conjunction with the financial statements of the Corporation and VCP, including the notes thereto, included elsewhere.

## RESULTING ISSUER PRO FORMA CAP TABLE

Designation of Security	As of March 31, 2018	As of the date of this Listing Statement
Debt (\$)		
Financing Notes	Nil	\$6,739,099 <sup>(1)</sup>
Charitable contribution payable	Nil	\$1,216,530 <sup>(2)</sup>
Total debt	Nil	\$7,955,629
Equity – fully diluted		
Subordinate Voting Shares	30,739,548 <sup>(3)</sup>	140,980,440 <sup>(5)</sup>
Options	3,000,000 <sup>(4)</sup>	Nil
Compensation Options	Nil	448,000 <sup>(6)</sup>
<b>Fully diluted issued and outstanding</b>	<b>33,739,548</b>	<b>141,428,440</b>

### Notes:

(1) Concurrently with the closing of the acquisition of the assets of another cannabis company, an Illinois limited liability company, on October 2, 2017, VCP issued a loan and security agreement and a lending agreement (collectively, the "**Financing Notes**") with original principal amounts of \$5,000,000 and \$2,500,000, respectively. The Financing Notes have a five (5) year amortizing term and bear interest at a rate of 12.5% per annum. Repayment of the Financing Notes are secured by security interests in certain collateral of the business granted by VCP. See "*Material Contracts*".

(2) In connection with the acquisition of the assets of an Illinois limited liability cannabis company, VCP is required to make quarterly charitable contributions of \$50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%.

(3) On a pre-consolidation basis. See "*Description of the Securities - Prior Sales*".

(4) The Corporation granted 3,000,000 incentive stock options to officers, directors, employees and consultants on February 5, 2018. The options are exercisable at a price of CAD \$0.05 per share for a period of five (5) years from the date of grant. Pursuant to mutual agreement between the Corporation and each option holder, these options will be cancelled. See "*Description of the Securities - Prior Sales*".

(5) Assuming 1) the conversion of the outstanding Multiple Voting Shares and Super Voting Shares into Subordinate Common Shares 2) the conversion of the Convertible Promissory Note into 124,653 Multiple Voting Shares; and 3) the SR Offering is fully subscribed and 8,526,439 Subordinate Voting Shares are issued and sold by the Resulting Issuer pursuant to the Transaction. For additional information on the Convertible Promissory Note, see "*Narrative Description of the Business – Financing Activities*" and "*Description of the Securities - Prior Sales*". For additional information on the SR Offering, see "Narrative Description of the Business – The Financing".

(6) Assuming the SR Offering is fully subscribed and the exercise of Compensation Options issued pursuant to the SR Offering. Each Compensation Option will be comprised of one (1) whole warrant and each whole warrant is exercisable to purchase one (1) whole Subordinate Voting Share at an exercise price of \$7.75 for 24 months from the closing of the Transaction. For additional information on the SR Offering, see "*Narrative Description of the Business – The Financing*".

## 9. OPTIONS TO PURCHASE SECURITIES

On June 11, 2018 shareholders of the Corporation approved the Equity Incentive Plan, the principal terms of which are described below.

### Summary of Equity Incentive Plan

The principal features of the Equity Incentive Plan are summarized below.

#### Purpose

The purpose of the Equity Incentive Plan will be to enable the Resulting Issuer and its affiliated companies to: (i) promote and retain employees, officers, consultants, advisors and directors capable of assuring the future success of the Resulting Issuer, (ii) to offer such persons incentives to put forth maximum efforts, and (iii) to compensate such persons through various

stock and cash-based arrangements and provide them with opportunities for stock ownership, thereby aligning the interests of such persons and Shareholders.

The Equity Incentive Plan permits the grant of (i) nonqualified stock options (“**NQSOs**”) and incentive stock options (“**ISOs**”) (collectively, “**Options**”), (ii) restricted stock awards, (iii) restricted stock units (“**RSUs**”), (iv) stock appreciation rights (“**SARs**”), and (v) performance compensation awards, which are referred to herein collectively as “**Awards**,” as more fully described below.

### Eligibility

Any of the Resulting Issuer’s employees, officers, directors, consultants (who are natural persons) are eligible to participate in the Equity Incentive Plan if selected by the Compensation Committee of the Resulting Issuer (the “**Participants**”). The basis of participation of an individual under the Equity Incentive Plan, and the type and amount of any Award that an individual will be entitled to receive under the Equity Incentive Plan, will be determined by the Compensation Committee based on its judgment as to the best interests of the Resulting Issuer and its shareholders, and therefore cannot be determined in advance.

The maximum number of Subordinate Voting Shares that may be issued under the Equity Incentive Plan shall be determined by the Resulting Issuer Board from time to time, but in no case shall exceed, in the aggregate, 10% of the number of Subordinate Voting Shares (including the number of Subordinate Voting Shares underlying the Multiple Voting Shares and the Super Voting Shares on an “as if converted” basis) then outstanding. Notwithstanding the foregoing, a maximum of 20,000,000 Subordinate Voting Shares may be issued as ISOs, subject to adjustment as provided in the Equity Incentive Plan. Any shares subject to an Award under the Equity Incentive Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Equity Incentive Plan. No financial assistance or support agreements may be provided by the Resulting Issuer in connection with grants under the Equity Incentive Plan.

In the event of any dividend, recapitalization, forward or reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer, issuance of warrants or other rights to acquire Subordinate Voting Shares or other securities of the Resulting Issuer, or other similar corporate transaction or event, which affects the Subordinate Voting Shares, or unusual or nonrecurring events affecting the Resulting Issuer, or the financial statements of the Resulting Issuer, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Compensation Committee may make such adjustment, which is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Equity Incentive Plan, to (i) the number and kind of shares which may thereafter be issued in connection with Awards, (ii) the number and kind of shares issuable in respect of outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and (iv) any share limit set forth in the Equity Incentive Plan.

## Awards

### *Options*

The Compensation Committee is authorized to grant Options to purchase Subordinate Voting Shares that are either ISOs meaning they are intended to satisfy the requirements of Section 422 of the Code, or NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the Equity Incentive Plan will be subject to the terms and conditions established by the Compensation Committee. Under the terms of the Equity Incentive Plan, unless the Compensation Committee determines otherwise in the case of an Option substituted for another Option in connection with a corporate transaction, the exercise price of the Options will not be less than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. Options granted under the Equity Incentive Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Compensation Committee and specified in the applicable award agreement, but in any event may not be price lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. The maximum term of an option granted under the Equity Incentive Plan will be ten years from the date of grant (or five years in the case of an ISO granted to a 10% shareholder). Payment in respect of the exercise of an Option may be made in cash or by check, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as

the Compensation Committee may determine to be appropriate.

### *Restricted Stock*

A restricted stock award is a grant of Subordinate Voting Shares, which are subject to forfeiture restrictions during a restriction period. The Compensation Committee will determine the price, if any, to be paid by the Participant for each Subordinate Voting Shares subject to a restricted stock award, but in any event the price may not be price lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the restricted stock; and (b) the date of grant of the restricted stock. The Compensation Committee may condition the expiration of the restriction period, if any, upon: (i) the Participant's continued service over a period of time with the Resulting Issuer or its affiliates; (ii) the achievement by the Participant, the Resulting Issuer or its affiliates of any other performance goals set by the Compensation Committee; or (iii) any combination of the above conditions as specified in the applicable award agreement. If the specified conditions are not attained, the Participant will forfeit the portion of the restricted stock award with respect to which those conditions are not attained, and the underlying Subordinate Voting Shares will be forfeited. At the end of the restriction period, if the conditions, if any, have been satisfied, the restrictions imposed will lapse with respect to the applicable number of Subordinate Voting Shares. During the restriction period, unless otherwise provided in the applicable award agreement, a Participant will have the right to vote the shares underlying the restricted stock; however, all dividends will remain subject to restriction until the stock with respect to which the dividend was issued lapses. The Compensation Committee may, in its discretion, accelerate the vesting and delivery of shares of restricted stock. Unless otherwise provided in the applicable award agreement or as may be determined by the Compensation Committee, upon a Participant's termination of service with the Resulting Issuer, the unvested portion of a restricted stock award will be forfeited.

## *RSUs*

RSUs are granted in reference to a specified number of Subordinate Voting Shares and entitle the holder to receive, on achievement of specific performance goals established by the Compensation Committee, after a period of continued service with the Resulting Issuer or its affiliates or any combination of the above as set forth in the applicable award agreement, one Subordinate Voting Share for each such Subordinate Voting Share covered by the RSU; provided, that the Compensation Committee may elect to pay cash, or part cash and part Subordinate Voting Shares in lieu of delivering only Subordinate Voting Shares. The Compensation Committee may, in its discretion, accelerate the vesting of RSUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Compensation Committee, upon a Participant's termination of service with the Resulting Issuer, the unvested portion of the RSUs will be forfeited.

## *Stock Appreciation Rights*

An SAR entitles the recipient to receive, upon exercise of the SAR, the increase in the fair market value of a specified number of Subordinate Voting Shares from the date of the grant of the SAR and the date of exercise payable in Subordinate Voting Shares. Any grant may specify a vesting period or periods before the SAR may become exercisable and permissible dates or periods on or during which the SAR shall be exercisable. No SAR may be exercised more than ten years from the grant date. Upon a Participant's termination of service, the same general conditions applicable to Options as described above would be applicable to the SAR.

## *General*

The Compensation Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the Equity Incentive Plan shall be nontransferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a shareholder with respect to Subordinate Voting Shares covered by Options, SARs, restricted stock awards, or RSUs, unless and until such Awards are settled in Subordinate Voting Shares.

No Option (or, if applicable, SARs) shall be exercisable, no Subordinate Voting Shares shall be issued, no certificates for Subordinate Voting Shares shall be delivered and no payment shall be made under the Equity Incentive Plan except in compliance with all applicable laws.

The Resulting Issuer Board may amend, alter, suspend, discontinue or terminate the Equity Incentive Plan and the Compensation Committee may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Resulting Issuer's shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the Equity Incentive Plan (including, without limitation, as necessary to comply with any rules or requirements of applicable securities exchange), (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission, and (iii) such amendment, alteration, suspension, discontinuation, or termination is in compliance with CSE Policies.

In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer or any other similar corporate transaction or event involving the Resulting Issuer (or the Resulting Issuer shall enter into a written agreement

to undergo such a transaction or event), the Compensation Committee or the Resulting Issuer Board may, in its sole discretion, provide for any (or a combination) of the following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, provided that the consummation of the event subsequently occurs):

- termination of the Award, whether or not vested, in exchange for cash and/or other property, if any, equal to the amount that would have been attained upon the exercise of the vested portion of the Award or realization of the Participant's vested rights,
- the replacement of the Award with other rights or property selected by the Compensation Committee or the Resulting Issuer Board, in its sole discretion,
- assumption of the Award by the successor or survivor Resulting Issuer, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor Resulting Issuer, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices,
- that the Award shall be exercisable or payable or fully vested with respect to all Subordinate Voting Shares covered thereby, notwithstanding anything to the contrary in the applicable award agreement, or
- that the Award cannot vest, be exercised or become payable after a date certain in the future, which may be the effective date of the event.

#### Tax Withholding

The Resulting Issuer may take such action as it deems appropriate to ensure that all applicable federal, state, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

## **10. DESCRIPTION OF THE SECURITIES**

### **10.1 Description of the Corporation's Securities**

#### **The Corporation**

The Resulting Issuer will be authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares and an unlimited number of Super Voting Shares. Upon completion of the Transaction, the outstanding capital of the Corporation consists of: (i) 11,245,439 Subordinate Voting Shares; (ii) 863,941 Multiple Voting Shares (which includes securities to be issued in connection with an acquisition); and 433,409 Super Voting Shares.

#### **Take-Over Bid Protection**

Under applicable Canadian law, an offer to purchase Super Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares or Multiple Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares or of Multiple Voting Shares

will be entitled to participate on an equal footing with holders of Super Voting Shares. The Principals, as the owners of all the outstanding Super Voting Shares, will enter into a customary coattail agreement with the Corporation and a trustee (the “**Coattail Agreement**”). The Coattail Agreement will contain provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares or of Multiple Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Super Voting Shares had been Subordinate Voting Shares or Multiple Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by any Principal of Super Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares and Multiple Voting Shares that:

- (i) offers a price per Subordinate Voting Share or Multiple Voting Share (on an as converted to Subordinate Voting Share basis) at least as high as the highest price per share paid pursuant to the take-over bid for the Super Voting Shares (on an as converted to Subordinate Voting Share basis);
- (ii) provides that the percentage of outstanding Subordinate Voting Shares or Multiple Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Super Voting Shares to be sold (exclusive of Super Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (iii) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares or Multiple Voting Shares tendered if no shares are purchased pursuant to the offer for Super Voting Shares; and
- (iv) is in all other material respects identical to the offer for Super Voting Shares.

In addition, the Coattail Agreement will not prevent the transfer of Super Voting Shares by a Principal to a Permitted Holder (as defined below). The conversion of Super Voting Shares into Multiple Voting Shares, whether or not such Multiple Voting Shares are subsequently sold or converted into Subordinate Voting Shares, would not constitute a disposition of Super Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Super Voting Shares (including a transfer to a pledgee as security) by a holder of Super Voting Shares party to the agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Super Voting Shares are not automatically converted into Multiple Voting Shares in accordance with the Articles.

The Coattail Agreement will contain provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares or of the Multiple Voting Shares. The obligation of the trustee to take such action will be conditional on the Corporation or holders of the Subordinate Voting Shares or of the Multiple Voting Shares, as the case may be, providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the



trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, and reasonable funds and indemnity have been provided to the trustee. The Corporation will agree to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement will provide that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares and 66-2/3% of the votes cast by holders of Multiple Voting Shares excluding votes attached to Subordinate Voting Shares and to Multiple Voting Shares, if any, held by the Principal Shareholders, their affiliates and any persons who have an agreement to purchase Super Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Subordinate Voting Shares or of Multiple Voting Shares under applicable law.

### **Subordinate Voting Shares (formerly post-consolidation common shares of Bayswater)**

Reclassification      Each post-consolidation common share held by a shareholder of the Resulting Issuer will be reclassified into one Subordinate Voting Share.

Right to Notice and      Holders of Subordinate Voting Shares will be entitled to notice of and to  
Vote                              attend at any meeting of the shareholders of the Resulting Issuer, except  
a meeting of which only holders of another particular class or series of  
shares of the Resulting Issuer will have the right to vote. At each such  
meeting, holders of Subordinate Voting Shares will be entitled to one vote  
in respect of each Subordinate Voting Share held.

Class Rights              As long as any Subordinate Voting Shares remain outstanding, the  
Resulting Issuer will not, without the consent of the holders of the  
Subordinate Voting Shares by separate special resolution, prejudice or  
interfere with any right attached to the Subordinate Voting Shares.  
Holders of Subordinate Voting Shares will not be entitled to a right of first  
refusal to subscribe for, purchase or receive any part of any issue of  
Subordinate Voting Shares, or bonds, debentures or other securities of  
the Resulting Issuer.

Dividends                 Holders of Subordinate Voting Shares will be entitled to receive as and  
when declared by the directors of the Resulting Issuer, dividends in cash  
or property of the Resulting Issuer. No dividend will be declared or paid  
on the Subordinate Voting Shares unless the Resulting Issuer  
simultaneously declares or pays, as applicable, equivalent dividends (on  
an as-converted to Subordinate Voting Share basis) on the Multiple  
Voting Shares and Super Voting Shares.

Participation             In the event of the liquidation, dissolution or winding-up of the Resulting  
Issuer, whether voluntary or involuntary, or in the event of any other  
distribution of assets of the Resulting Issuer among its shareholders for

the purpose of winding up its affairs, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Subordinate Voting Shares, be entitled to participate rateably along with all other holders of Subordinate Voting Shares, Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis) and Super Voting Shares (on an as-converted to Subordinate Voting Share basis)

Changes No subdivision or consolidation of the Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

Conversion In the event that an offer is made to purchase Multiple Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Multiple Voting Shares are then listed, to be made to all or substantially all the holders of Multiple Voting Shares in a given province or territory of Canada to which these requirements apply, each Subordinate Voting Share shall become convertible at the option of the holder into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Subordinate Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer, and for no other reason. In such event, the Corporation's transfer agent shall deposit the resulting Multiple Voting Shares on behalf of the holder. Should the Multiple Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Multiple Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Corporation or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

### **Multiple Voting Shares**

Right to Vote Holders of Multiple Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have the right to vote. At each such meeting, holders of Multiple Voting Shares will be entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could then be converted (currently 100 votes per Multiple Voting Share held).

Class Rights	As long as any Multiple Voting Shares remain outstanding, the Resulting Issuer will not, without the consent of the holders of the Multiple Voting Shares by separate special resolution, prejudice or interfere with any right attached to the Multiple Voting Shares. Holders of Multiple Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Resulting Issuer.
Dividends	The holders of the Multiple Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Resulting Issuer may by resolution determine, on an as-converted to Subordinate Voting Share basis. No dividend will be declared or paid on the Multiple Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Super Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Multiple Voting Shares, be entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis)
Changes	No subdivision or consolidation of the Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	The Multiple Voting Shares each have a restricted right to convert into 100 Subordinate Voting Shares (the “ <b>Conversion Ratio</b> ”), subject to adjustments for certain customary corporate changes. The ability to convert the Multiple Voting Shares is subject to a restriction that the aggregate number of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended, may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of Subordinate Voting Shares exceeding certain levels. In addition, the Multiple Voting Shares will be automatically converted into Subordinate Voting Shares in certain circumstances, including upon the registration of the Subordinate Voting Shares under

the United States Securities Act of 1933, as amended.

In the event that an offer is made to purchase Subordinate Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Subordinate Voting Shares are then listed, to be made to all or substantially all the holders of Subordinate Voting Shares in a given province or territory of Canada to which these requirements apply, each Multiple Voting Share shall become convertible at the option of the holder into Subordinate Voting Shares at the Conversion Ratio at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may be exercised in respect of Multiple Voting Shares for the purpose of depositing the resulting Multiple Voting Shares pursuant to the offer. Should the Subordinate Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Subordinate Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of the Corporation or on the part of the holder, into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect.

### **Super Voting Shares**

Right to Vote	Holders of Super Voting Shares will be entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have the right to vote. At each such meeting, holders of Super Voting Shares will be entitled to 1000 votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (currently 1,000 votes per Super Voting Share held).
Class Rights	As long as any Super Voting Shares remain outstanding, the Resulting Issuer will not, without the consent of the holders of the Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Super Voting Shares. Additionally, consent of the holders of a majority of the outstanding Super Voting Shares will be required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Super Voting Shares. In connection with the exercise of the voting rights in respect of any such approvals, each holder of Super Voting Shares will have one vote in respect of each Super Voting Share held. The holders of Super Voting Shares will not be entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, bonds, debentures or other securities of the Resulting Issuer not convertible into Super Voting Shares.

Dividends	The holders of the Super Voting Shares are entitled to receive such dividends as may be declared and paid to holders of the Subordinate Voting Shares in any financial year as the Board of the Resulting Issuer may by resolution determine, on an as-converted to Subordinate Voting Share basis. No dividend will be declared or paid on the Super Voting Shares unless the Resulting Issuer simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Subordinate Voting Shares.
Participation	In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, whether voluntary or involuntary, or in the event of any other distribution of assets of the Resulting Issuer among its shareholders for the purpose of winding up its affairs, the holders of Super Voting Shares will, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Super Voting Shares, be entitled to participate rateably along with all other holders of Super Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).
Changes	No subdivision or consolidation of the Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner, so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.
Conversion	Each Super Voting Share has a right to convert into 1 Multiple Voting Share subject to customary adjustments for certain corporate changes.
Conversion at the Option of the Resulting Issuer	<p>The Resulting Issuer will have the right to convert all or some of the Super Voting Shares from a holder of Super Voting Shares into an equal number of Multiple Voting Shares subject to customary adjustments for certain corporate changes:</p> <p>(a) upon the transfer by the holder thereof to anyone other than (i) an immediate family member of Benjamin Kovler, Peter Kadens, Anthony Georgiadis or Andrew Grossman (the “<b>Initial Holders</b>”) or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by an Initial Holder or immediate family members of an Initial Holder or which an Initial Holder or immediate family members of an Initial Holder are the sole beneficiaries thereof; or (ii) a party approved by the Resulting Issuer (together with the Initial Holders, “<b>Permitted Holders</b>”); or</p> <p>(b) if at any time the aggregate number of issued and outstanding Super Voting Shares beneficially owned, directly or indirectly, by an Initial Holder of the Super Voting Shares and the Initial Holder’s predecessor or transferor, permitted transferees and permitted successors, divided by the number of Super Voting Shares beneficially owned, directly or</p>

indirectly, by the holder (and the Initial Holder's predecessor or transferor, permitted transferees and permitted successors) as at the date of completion of the Business Combination is less than 50%. The Initial Holders of Super Voting Shares will, from time to time upon the request of the Resulting Issuer, provide to the Resulting Issuer evidence as to such Initial Holders' direct and indirect beneficial ownership (and that of its permitted transferees and permitted successors) of Super Voting Shares to enable the Resulting Issuer to determine if its right to convert has occurred. For purposes of these calculations, a holder of Super Voting Shares will be deemed to beneficially own Super Voting Shares held by an intermediate company or fund in proportion to their equity ownership of such company or fund, unless such company or fund holds such shares for the benefit of such holder, in which case they will be deemed to own 100% of such shares held for their benefit.

The Resulting Issuer is not required to convert Super Voting Shares on a pro-rata basis among the holders of Super Voting Shares.

## **10.2 – 10.6 Miscellaneous Securities Provisions**

See Section 10.1 above.

## **10.7 Prior Sales of Common Shares**

### **The Corporation**

The following tables set forth the issuances of common shares of the Corporation within the last twelve (12) months before the date of this Listing Statement (excluding securities issued upon closing of the Transaction).

<b>Date Issued</b>	<b>Number of Common Shares</b>	<b>Issue Price per Share (\$)</b>	<b>Aggregate Issue Price (\$)</b>	<b>Nature of Consideration</b>
June 2018 <sup>2</sup>	84,239 <sup>1</sup>	\$7.36	620,000	cash
June 2018	332,669 <sup>1</sup>	\$7.36	2,448,444	finder's fees <sup>3</sup>

Notes:

1. Post-Consolidated Subordinate Voting Shares.
2. Private placement to raise funds to settle debts and pay costs associated with the acquisition of GTI. Issued originally as subscription receipts at an equivalent of \$0.02 per subscription receipt, every 368 subscription receipts convertible into one Subordinate Voting Shares.
3. Finder's fee shares issued in connection with the Issuer's acquisition of GTI. Issued originally as subscription receipts at an equivalent of \$7.36 per subscription receipt, each convertible into one Subordinate Voting Shares.

### **VCP**

Immediately prior to the RTO, there were 119,266,258 VCP Preferred Units and 130,434,873 VCP Common Units issued and outstanding as well as a US\$45 million Convertible Promissory Note issued and outstanding. VCP issued the following securities within the 12 months before the date hereof:

<b>Date of Issue</b>	<b>Description</b>	<b>Number of Securities Sold</b>	<b>Price Per Share / Note (USD\$)</b>	<b>Description of Consideration</b>
January 1, 2018	Preferred Units	119,266,258	\$1.00 per share	Pursuant to Contribution and Exchange Agreement
January 1, 2018	Common Units	130,434,873	\$1.00 per share	Pursuant to Contribution and Exchange Agreement
April 30, 2018	Convertible Promissory Note	1	\$45 million	Cash

## **10.8 Stock Exchange Price**

None of the matters set out in sections 10.8 of CSE – Form 2A are applicable to Subordinate Voting Shares or the Corporation Shares.

## **11. ESCROWED SECURITIES**

The Resulting Issuer is not subject to escrow. Directors, officers and significant shareholders have entered into lock-up agreements pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Subordinate Voting Shares (or announce any intention to do so), or any securities issuable in exchange therefor, for a period of 180 days from the date of the Transaction.

## **12. PRINCIPAL SHAREHOLDERS**

### **12.1 and 12.2 Principal Shareholders**

To the knowledge of the directors and officers of each of the Corporation and VCP, following the Transaction, the following Persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer:

## PRINCIPAL SHAREHOLDERS

Name, Jurisdiction of Residence	Number of Shares <sup>(4)(5)</sup>	Class of Shares	Ownership	Percentage of Class
RCP23, LLC (Chicago, IL) <sup>(1)(4)</sup>	262,177	Super Voting Shares	Beneficial and of Record	60%
GTI II, LLC (Chicago, IL) <sup>(2)</sup>	63,288	Super Voting Shares	Beneficial and of Record	15%
Benjamin Kovler, (Chicago, IL) <sup>(3)</sup>	54,457	Super Voting Shares	Beneficial and of Record or Control or Direction	13%
RCP23, LLC (Chicago, IL) <sup>(1)</sup>	312,064	Multiple Voting Shares	Beneficial and of Record	36%
GTI II, LLC (Chicago, IL) <sup>(2)</sup>	232,054	Multiple Voting Shares	Beneficial and of Record	27%
VCP Convert, LLC (Chicago, IL) <sup>(5)</sup>	122,442	Multiple Voting Shares	Beneficial and of Record	14%

**Notes:**

(1) Controlled by GTI Management, LLC, which is controlled by Benjamin Kovler and Peter Kadens.

(2) Controlled by Benjamin Kovler.

(3) The amount does not include amounts owned by RCP23, LLC and GTI II, LLC noted above over which Benjamin Kovler exercises control or direction. The amount includes 52,246 Super Voting Shares owned beneficially and of record by Benjamin Kovler and 2,211 Super Voting Shares owned by VCP Convert, LLC, and over which Benjamin Kovler exercises direction or control.

(4) Peter Kadens also directly owns beneficially and of record 17,527 Super Voting Shares.

(5) Controlled by Benjamin Kovler.

(6) Upon conversion of all of the Super Voting Shares and all of the Multiple Voting Shares none of the previous holders Super Voting Shares and Multiple Voting Shares will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the Subordinate Voting Share class.

### 12.3 Voting Trusts

To the knowledge of the Corporation, no voting trust exists within the Corporation such that more than 10% of any class of voting securities of the Corporation are held, or are to be held, subject to any voting trust or other similar agreement.

### 12.4 Associates and Affiliates

To the knowledge of the Corporation none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

## 13. DIRECTORS AND OFFICERS

### 13.1 – 13.5 Directors and Officers

The Articles of the Corporation provide that the number of directors should not be fewer than three (3) directors. Each director shall hold office until the close of the next annual general meeting of the Corporation, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Corporation's Board of Directors currently consists of three (3) directors, of whom two (2) can be defined as an "unrelated director" or a director who is independent of management and is free from any interests and any business or other



relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholders, and do not have interests in or relationships with the Corporation.

The following table lists the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer, their positions and offices to be held with the Resulting Issuer, and their principal occupations during the past five (5) years and the number of securities of the Corporation that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each.

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Director of the Corporation Since	Number and Percentage of Common Shares Beneficially Owned or Controlled Prior to the Transaction	Number and Percentage of Super Voting, Multiple Voting and/or Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled After the Transaction
Ben Kovler <sup>(2)</sup> Chairman of the Board Chicago, IL	VCP, Chairman and Founder; Kovpak, CIO; Invest For Kids, Founder and CEO	07/2017	23.7%	17.1%
Pete Kadens <sup>(2)</sup> Director and Chief Executive Officer Chicago, IL	VCP, CEO; SoCore Energy, Founder and President	07/2017	12.1%	8.9%
Anthony Georgiadis <sup>(1)</sup> Director and Chief Financial Officer Tampa, FL	VCP, CFO; Wendover Art Group, COO	07/2017	2.9%	3.7%
Wendy Berger <sup>(1)(2)</sup> Chicago, IL Director	WBS Equities, LLC President & CEO	07/2017	2.2%	2.0%
Glen Senk <sup>(1)</sup> Palm Beach, Florida Director	Front Row Partners CEO	06/2018	0%	Nil

**Notes:**

- (1) Member of the audit committee.
- (2) Member of the compensation committee.

All of the directors of the Resulting Issuer will be appointed to hold office until the next annual general meeting of shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated.

Upon completion of the Transaction, all promoters, directors, officers and Insiders, as a group, will beneficially own, directly or indirectly, the following shares of the Resulting Issuer: (i) 87,387 Subordinate Voting Shares or 0.8% (non-diluted); (ii) 8,274 Multiple Voting Shares or approximately 1% (non-diluted); and 433,409 of the Super Voting Shares or 100% non-diluted.

## **Board Committees**

The Corporation currently has an audit committee and compensation committee. A brief description of each committee is set out below. Following the completion of the Transaction, the directors of the Resulting Issuer intend to establish such committees of the board as determined to be appropriate in addition to the audit committee and compensation committee.

### **Audit Committee**

The audit committee assists the Corporation's Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee reviews the financial reports and other financial information provided by the Corporation to regulatory authorities and its shareholder and reviews the Corporation's system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

The members of the audit committee after completion of the Transaction include the following following three directors. Also indicated is whether they are "independent" and "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110").

<b>Name of Member</b>	<b>Independent<sup>(1)</sup></b>	<b>Financially Literate<sup>(2)</sup></b>
Anthony Georgiadis	No	Yes
Wendy Berger	Yes	Yes
Glen Senk	Yes	Yes

Notes:

- (1) A member of the audit committee is independent if he or she has no direct or indirect 'material relationship' with the Corporation. A material relationship is a relationship which could, in the view of the Corporation's Board of Directors, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Corporation, such as the President or Secretary, is deemed to have a material relationship with the Corporation.
- (2) A member of the audit committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### **Compensation Committee**

The compensation committee assists the Corporation's Board of Directors in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Corporation's executive officers. In addition, the compensation committee is charged with reviewing the employee stock option plan and proposing changes thereto, approving any awards of options under the employee stock option plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to the Corporation's executive officers. The Compensation Committee is also responsible for reviewing, approving and reporting to the Corporation's Board annually (or more frequently as required) on the Corporation's succession plans for its executive officers.

The proposed members of the compensation committee after completion of the Transaction include the following three directors: Pete Kadens, Ben Kovler and Wendy Berger.

### **13.6 – 13.9 Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies**

No proposed director or officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer is, or within 10 years before the date of this Listing Statement has been, a director or officer of any other company that, while the person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other company access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was the subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) 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) within a year of that person 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.

No proposed director or officer of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to: (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **13.10. Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and promoters of the Corporation also holding positions as directors or officers of other companies. Some of the individuals that are directors and officers of the Corporation have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies provided under BCBCA.

### **13.11. Management**

Brief descriptions of the biographies for all of the officers and directors of the Resulting Issuer are set out below:

*Ben Kovler | Founder & Chairman (Age 39)*

Ben brings his extensive experience managing complex operating companies and his deep commitment to philanthropy as Chairman of VCP. Ben founded VCP in 2014 and has successfully scaled it into a national cannabis consumer packaged goods Corporation and retail dispensary chain with 58 licenses across seven highly-regulated U.S. markets. Additionally, Ben is the Chief Investment Officer for Kovpak II, LLC, an investment partnership that allocates capital into public and private markets across a wide range of industries. He is also co-founder and CEO of Invest For Kids (IFK), an annual forum bringing together portfolio managers, family offices and analysts to share investment ideas to benefit children in Illinois. In its first nine years, IFK generated more than \$11 million to benefit 40 youth organizations that have helped 85,000 children<sup>18</sup>. Ben earned a Bachelor of Arts in philosophy, politics and economics from Pomona College and an M.B.A. in accounting and finance from The University of Chicago. He also taught 8th grade math and published a book of brain teasers and puzzles.

*Pete Kadens | Director & Chief Executive Officer (Age 40)*

Pete is a serial entrepreneur and dedicated philanthropist. He has started three companies, which have employed thousands of people over the last 14 years, including one of the largest commercial solar companies in the US, SoCore Energy. Under his leadership, SoCore grew into a Corporation with operations across 17 states and was named one of Chicago's most innovative businesses by Chicago Innovation Awards. In 2013, he sold SoCore Energy to Edison International, a Fortune 500 energy holding Corporation. Pete served as an executive under Edison International until 2015 when he ultimately founded VCP's businesses outside of Illinois with his partner, Ben Kovler. Pete believes deeply in, and actively leads, organizations that seek to transform lives and strengthen communities, serving as Chairman of StreetWise (2009 – present), one of the largest homeless aid organizations in the Midwest. He was also a long time board member at The Cara Program, one of the largest non-profit workforce training programs in the Midwest which focuses on preparing individuals on the verge of homelessness for employment. Pete earned his Bachelor of Arts in Bucknell University, where he earned his Bachelor of Arts in Political Science. He was also named 40 under 40 by Crain's Chicago Business in 2012. In 2015, Pete was honored with the "Catalyst Award" by StreetWise.

*Anthony Georgiadis | Director & Chief Financial Officer (Age 40)*

Anthony is an investor and entrepreneur, having purchased Wendover Art Group, a Florida-based manufacturing business in 2005 that he helped grow into one of North America's largest manufacturers of wall décor under his tenure. Prior to this, he was an M&A analyst for Bowles Hollowell Conner & Co., a boutique investment bank, and a principal investing associate for CIVC Partners, a \$1.5 billion Chicago-based private equity firm. Anthony became involved in the cannabis industry in early 2014 after exploring cannabidiol (CBD) for treatment on his swiss mountain dog, who was epileptic. Since then he has invested in 14 different cannabis-related companies including PAX (vapor technology), Cannasure (insurance), Headset (data analytics), and Baker (customer engagement). Anthony is a proud supporter of the Special Operations Warriors Foundation, the Drug Policy Alliance, Students for Sensible Drug Policy, and the

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<sup>18</sup> <http://www.chicagobusiness.com/article/20161025/NEWS01/161029931/chicago-childrens-charity-invest-for-kids-tops-10-million>

Marijuana Policy Project. Anthony graduated magna cum laude from Bucknell University with a degree in finance and a minor in mathematics.

*Andrew Grossman | Head of Capital Markets (Age 44)*

Andy is an entrepreneur and business executive with 20 years of experience in the hedge fund industry. He joined VCP for the opportunity to join a nascent industry with the potential for tremendous growth. Andy previously served as Managing Partner and Head of Trading, Risk Management and Operations of LG Capital Management. Andy co-founded LG in August 2011 with \$13 million in capital and helped raise it to a peak of \$350 million under management. He was instrumental in building the infrastructure of the business and is highly qualified in business operations. Prior to founding LG Capital, he was a senior trader for Chesapeake Partners, a Baltimore-based multi-billion event-driven investment Fund. Andy graduated from Syracuse University in 1996 with a Bachelor of Arts in Finance. Andy is actively involved in various organizations in the Baltimore community which include The Associated, LifeBridge Health, Beth El Congregation and Jewish Volunteer Connection.

*Wendy Berger | Director & Real Estate Subject Matter Expert (Age 52)*

Wendy Berger brings decades of experience in strategic planning, execution, and exits for rapid growth start-ups, in addition to a near 30-year career in real estate development. This unique combination makes Ms. Berger an incredible asset to VCP as Director and Real Estate Subject Matter Expert, a role she has had since February 2015. Wendy is principal of WBS Equities, LLC., which specializes in ground-up construction, renovation, development, sale lease back transactions and acquisitions of industrial buildings for food and beverage manufacturers and distributors. Prior, Ms. Berger was employee number 11 at Orbitz, the Travel website founded in 2000 by American, Continental, Delta, Northwest and United Airlines, where she was Director of Strategic Enterprise Planning. Wendy also co-founded and was COO of Neoglyphics Media Corporation, one of the country's first website development firms where she was integral in successfully scaling the organization from start up to a high-performing corporation with more than 150 employees before it was sold in March 1998 for \$65 million. She earned her MBA in Finance and Real Estate from Northwestern University's Kellogg School of Business and a B.S., cum laude, in Finance and Marketing from Syracuse University. In her spare time Wendy is an avid triathlete and runner, having completed 31 Olympic Distance triathlons and six half-marathons, and also serves on several boards including the Chicago Public Library Foundation (2016 – present), the Jewish Federation/Jewish United Fund of Chicago (2001 – 2007, and 2009 – present), and two years with TEDxMidwest, the locally and independently organized TED event. TED is a non-profit devoted to Ideas Worth Spreading.

*Glen Senk | Director & Retail Subject Matter Expert (Age 62)*

Glen Senk is a creative leader who brings decades of experience building several of the world's most iconic brands to VCP as Director and Retail Subject Matter Expert, a position held as of May 2018. Mr. Senk founded Front Row Partners, a company dedicated to supporting forward-thinking leaders with capital, resources and expertise, in April 2014, where he currently serves as Chairman and CEO. Previously, Senk served as CEO for America's leading fine jewelry brand David Yurman, and prior to that, was named CEO of Urban Outfitters (NASDAQ: URBN) in 2007 after holding several integral leadership positions since starting with URBN in 1994, where throughout his tenure he grew Anthropologie from a single-store prototype into a billion-dollar brand, was elected to the company's board of directors in 2004, and whose vision was credited by Forbes as earning Urban Outfitters the accolade of one of the best-managed companies of

2007. In that same year, Institutional Magazine named Mr. Senk one of the best CEOs in America. Before URBN, Senk joined Williams-Sonoma (NYSE: WSM) where he set the strategy and groundwork for Pottery Barn's rapid expansion and sales growth while supervising Williams-Sonoma, Pottery Barn, Hold Everything, Chambers and Gardener's Eden. Senk was also chief executive of the London-based Habitat International Merchandise and Marketing Group. He began his career at Bloomingdale's in 1981. In 2010, Senk was named one of Fortune Magazine's Top 50 Businesspeople of the Year and holds a BA degree, magna cum laude, in psychology, computer science and mathematics from New York University and an MBA degree in marketing and finance from the University of Chicago Booth School of Business. He is a member of Phi Beta Kappa and Psi Chi. Senk currently serves on the board of directors of Aritzia (TSE: ATZ), Boden, Kendra Scott and Opening Ceremony and has previously served on the boards of directors of Urban Outfitters (NASDAQ: URBN), Bare Escentuals (NASDAQ: BARE), Melissa & Doug, Tory Burch, David Yurman, and Cooking.com.

*Eugene Monroe | Partner (Age 31)*

Eugene was the first active NFL player to openly advocate for the use of cannabinoids to treat chronic pain and sports-related injuries. He recognized cannabis as a healthier alternative to opioids and has actively campaigned for marijuana policy change. He joined VCP for its patient-first focus of striving to provide the best medicine possible, active community support and research initiatives. Previously, Eugene was drafted 8th overall by the Jacksonville Jaguars in the 2009 NFL Draft and later joined the Baltimore Ravens on a trade in 2013. Eugene enjoyed a 7-year NFL career and retired with long term health and family as a priority. Eugene is a supporter of the Drug Policy Alliance, Marijuana Policy Project and Doctors for Cannabis Regulation. He earned a Bachelor of Arts in Sociology from the University of Virginia.

*Bret Kravitz | Chief Corporate Counsel (Age 38)*

Bret has been working with the VCP team as outside counsel since 2014 and joined the team on a full-time basis in July 2017. Bret leads VCP's market-expansion transactions and manages VCP's corporate and securities matters. Prior to joining VCP, Bret was VCP's external corporate counsel at Dickinson Wright PLLC in Columbus, Ohio. Bret also worked for the law firm of Baker Hostetler LLP in Columbus, Ohio and Lockheed Martin in Denver, Colorado and Bethesda, Maryland where he worked with their financial planning and mergers/acquisitions divisions. Bret earned his J.D. from Lewis and Clark Law School in Portland, Oregon, M.B.A. from the University of Denver, and Bachelor of Science in Business from the University of Colorado at Boulder.

*Dina Rollman | Chief Compliance Counsel (Age 45)*

Dina is VCP's Chief Compliance Counsel. In this role, she monitors and ensures full compliance with state and federal laws pertaining to VCP's multi-state cultivation and dispensary operations. Dina is an experienced attorney who, prior to joining VCP and specializing in cannabis law, was a commercial litigation partner, representing plaintiffs and defendants in business disputes throughout the country. Dina is the founder and President of Illinois Women in Cannabis, a not for profit group that promotes women's role in Illinois' medical cannabis industry. She recently taught Illinois' first Cannabis Law & Policy course as an adjunct professor at Chicago-Kent College of Law. Dina has lectured widely on cannabis topics, addressing national trade conferences, national legal conferences and presenting at legal seminars. She earned a Bachelor of Arts from Oberlin College and a law degree from Northwestern University School of Law.

*Eunice Kim | Vice President, People & Culture (Age 30)*

Eunice leads the Human Resources function with a fresh, strategic, consultative perspective, and with a smile on her face. Her motto? "Bring the human back in Human Resources." Prior to joining VCP, Eunice was integral to the growth and development of HR teams from infancy to maturation at progressive, fast-paced, high-growth agencies; one of which was listed on Crain's Best Places to Work in Chicago for six consecutive years, four of which at #1. Under Eunice's leadership, VCP was listed on Crain's Best Places to Work in Chicago for 2018.

*Kyle Wortham | Vice President, Brand (Age 46)*

Kyle has spent 20 years leading, building and deploying national and international marketing, innovation and branding efforts for renowned consumer brands, including Jim Beam, Mike's Hard Lemonade, Blue Moon beer, Marlboro USA, Philip Morris Mexico, and Pabst Brewing Corporation. He's returned to Chicago from Seattle where he moved to get his start in the cannabis industry. While in Seattle, he led marketing for Solstice Cannabis and then Privateer Holdings where he managed multiple brands including Marley Natural in both Washington and California.

*Linda Marsicano | Vice President, Communications (Age 50)*

Linda Marsicano has more than 20 years of experience in media and public relations and communications working for publicly traded companies, private entities and nonprofit organizations. Her background includes leading external communications for Fortune 500 nuclear power company Exelon Corporation and serving as Vice President of Corporate Communications for Playboy Enterprises and Vice President of Public Relations for mortgage lender Guaranteed Rate. She has also overseen public relations for professional medical societies and not-for-profit professional associations. Linda has a Bachelor of Arts degree from Miami University in Ohio. She serves on the board of the Civic Leadership Foundation, an educational organization dedicated to preparing under-served young people for college, career and active citizenship.

*Daniel Shaker | Vice President, Sales (Age 47)*

Dan is a commercially focused sales leader with over 25 years experience delivering results and building high performing teams. He has launched and grown brands for some of the world's largest CPG companies, including: Philip Morris, JM Smucker Corporation, and most recently Diageo North America, where for the last 15 years he led field execution on brands such as Johnnie Walker, Tanqueray, Ketel One, Bulleit Bourbon, and Don Julio tequila. Dan managed a complex distributor network that spanned from coast to coast and a portfolio of over 250 brands that produced in excess of \$600 million in revenues.

*Jennifer Dooley | Vice President Corporate Development & Investor Relations (Age 31)*

Jennifer has spent a decade building consumer brands, driven by her uniquely creative and analytical approach to identifying and capitalizing on market opportunities. Prior to joining VCP, Jennifer led strategic Brand Development and Innovation at Storck USA, a top 10 global confectioner, known for brands Werther's Original, Toffifay, Mamba, merci and RIESEN. There, she managed a \$100M brand portfolio P&L and brought to market dozens of new products, including the first non-confection product to come out of the century-old Werther's Original brand: a Caramel Popcorn that knocked out incumbents, earning #1 ranks in the market, and

the 2015 Snack Category Product of the Year. She also ran brand operations for the Werther's Original Caramel Shoppe in the Germany Pavilion at Walt Disney World's Epcot. Jennifer earned her MBA from Northwestern University Kellogg School of Management with a focus on Marketing, Entrepreneurship and Innovation. She graduated summa cum laude from the College of Charleston with a Bachelor of Science in Business Administration and English while a member of the College's NCAA Division I Cross Country and Track + Field teams.

All members of management devote full time to the business of the Resulting Issuer and have entered into a non-competition or non-disclosure agreement with the Resulting Issuer. The Resulting Issuer employs 348 people.

## 14. CAPITALIZATION

### 14.1 Issued Capital

To the best knowledge of the Corporation, the following table sets out the number of the Subordinate Voting Shares available in the Resulting Issuer's Public Float and Freely-Tradeable Float on a diluted and non-diluted basis:

	Number of Securities (non-diluted)	Number of Securities (fully-diluted) <sup>(1)</sup>	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	11,245,439	140,980,439	100%	100%
Held by Related Persons or employees of the Corporation or Related Person of the Corporation, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation upon exercise or conversion of other securities held) (B)	87,387	51,700,187	0.8%	36.7%
<b>Total Public Float (A-B)</b>	<b>11,158,052</b>	<b>89,280,252</b>	<b>99.2%</b>	<b>63.3%</b>
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	0	0	0%	0%
<b>Total Tradeable Float (A-C)</b>	<b>11,245,439</b>	<b>11,245,439</b>	<b>8.0%</b>	<b>8.0%</b>



Note:

(1) There will be 863,941 Multiple Voting Shares (which includes securities to be issued in connection with an acquisition) and 433,409 Super Voting Shares issued and outstanding immediately following the completion of the Transaction (subject to the exercise of previous issued convertible securities). Each Super Voting Share is convertible into Multiple Voting Shares at the option of the holder or upon certain triggering events. Each Multiple Voting Share, including those issued upon conversion of the Super Voting Shares, is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events.

Public Securityholders (Registered)

**Class of Security**

<b>Size of Holding</b>	<b>Number of holders</b>	<b>Total number of securities</b>
1 - 99 securities	119	518
100 – 499 securities	16	29,370
500 – 999 securities	3	12,202
1,000 – 1,999 securities	1	1,665
2,000 – 2,999 securities	1	2,784
3,000 – 3,999 securities	3	9,658
4,000 – 4,999 securities	2	48,150
5,000 or more securities	190	11,146,876
<b>Total</b>	<b>335</b>	<b>11,245,439</b>

Public Securityholders (Beneficial)

**Class of Security**

<b>Size of Holding</b>	<b>Number of holders</b>	<b>Total number of securities</b>
1 - 99 securities	4,752	21,828
100 – 499 securities	67	41,510
500 – 999 securities	56	34,339
1,000 – 1,999 securities	5	8,216
2,000 – 2,999 securities	3	11,544
3,000 – 3,999 securities	3	50,815
4,000 – 4,999 securities	1	4,000
5,000 or more securities	49	11,065,346
Unable to determine		7,840
<b>Total</b>	<b>4,884</b>	<b>11,245,439</b>

## Non-Public Securityholders (Registered)

### **Class of Security**

<b>Size of Holding</b>	<b>Number of holders</b>	<b>Total number of securities</b>
1 - 99 securities	3	92
100 – 499 securities	7	2,152
500 – 999 securities	2	1,512
1,000 – 1,999 securities	1	1,814
2,000 – 2,999 securities	1	2,190
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	1	4,550
5,000 or more securities	9	1,285,350
<b>Total</b>	<b>24</b>	<b>1,297,350</b>

### **14.2 Convertible/Exchange Securities**

#### **The Corporation**

All outstanding convertible securities of the Corporation are being cancelled pursuant to the terms of the Transaction.

### **14.3 Other Listed Securities**

Neither the Corporation nor VCP have any other listed securities reserved for issuance that are not included in section 14.1.

## 15. EXECUTIVE COMPENSATION

The following table sets forth the anticipated compensation to be paid or awarded to the directors and the following executive officers of the Resulting Issuer: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) the three most highly compensated individuals whose total compensation was more than \$150,000; and (iv) Directors:

Table of Compensation Excluding Compensation Securities							
Name & position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or meeting fees (\$) <sup>(3)</sup>	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Pete Kadens, CEO and Director	2018	\$295,000 <sup>(1)</sup>	Nil	\$50,000 <sup>(2)</sup>	Nil	Nil	\$345,000
Anthony Georgiadis, CFO and Director	2018	\$250,000	Nil	\$50,000 <sup>(2)</sup>	Nil	Nil	\$300,000
Bret Kravitz, Chief Corporate Counsel	2018	\$206,000	\$25,000	Nil	Nil	Nil	\$231,000
Dina Rollman, Chief Compliance Counsel	2018	\$206,000	\$50,000	Nil	Nil	Nil	\$256,000
Daniel Shaker, Vice President of Sales	2018	\$175,000	\$100,000	Nil	Nil	Nil	\$275,000

Notes:

(1) Base salary compensation for executive officer position

(2) Cash compensation for director position

(3) In 2018, Wendy Berger, Glen Senk and Ben Kovler will receive cash compensation of \$50,000 as members of the Board of Directors

### **Termination and Change of Control Benefits**

Other than as disclosed herein, the Resulting Issuer will not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer (“**NEO**”) at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Resulting Issuer or a change in an NEO’s responsibilities.

- Under the Peter Kadens employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement.

- Under the Anthony Georgiadis employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant profits interest agreement.
- Under the Bret Kravitz employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive (i) his bonus through the end of the bonus period (as defined in the employment agreement); (ii) any equity entitlements as set forth in the employment agreement and pursuant to any relevant joinder agreements.
- Under the Dina Rollman employment agreement, in the event of termination by expiration or without cause, the NEO is entitled to receive any equity entitlements as set forth in the employment agreement and pursuant to any relevant joinder agreements.

### **Oversight and Description of Director and Named Executive Officer Compensation**

The Board of the Resulting Issuer will review the compensation of its executives following completion of the Transaction and make such changes as it deems appropriate.

## **16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

Upon completion of the Transaction, none of the directors or officers of the Resulting Issuer, nor any of their Associates, will be indebted to the Resulting Issuer, and neither will any indebtedness of any of these individuals or Associates to another entity be the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer.

## **17. RISK FACTORS**

### **Business of the Resulting Issuer Risks**

#### **Marijuana remains illegal under U.S. federal law**

Marijuana is a Schedule 1 controlled substance and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Resulting Issuer's business, prospects, results of operation, and financial condition.

#### **Federal regulation of marijuana in the United States**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* (Canada) and the proposed regulation of recreational cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To date, a total of 29 states, plus the District of Columbia, have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act (the "**CSA**") in the United States and as such, remains illegal under federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, 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. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice 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, the newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**")<sup>19</sup>. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018 which similarly prevents federal prosecutors from using federal funds to impede the

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<sup>19</sup> U.S. Dept. of Justice. (2018). *Memorandum for all United States Attorneys re: Marijuana Enforcement*. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/opa/press-release/file/1022196/download>.

implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Resulting Issuer could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the foregoing protection for medical cannabis operators will be void.

Now that the Cole Memorandum has been repealed by Attorney General Jeff Sessions, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Resulting Issuer and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Resulting Issuer, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Resulting Issuer's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. marijuana-related activities remains appropriate in light of the rescission of the Cole Memorandum.

Notwithstanding the foregoing, in March 2018, as part of the Congressional omnibus spending bill, Congress renewed, through the end of September 2018, the Rohrabacher Blumenauer Amendment ("**RBA**") which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. Should the RBA not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse

effect on VCP'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.

Additionally, there can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Resulting Issuer and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

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 Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of 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 common shares. In addition, it is difficult 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.

### **Leahy Amendment**

The Leahy Amendment, as discussed above, prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Leahy Amendment will expire with the Fiscal Year 2018 on September 30, 2018. At such time, it may or may not be included in the Fiscal Year 2019 omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

### **U.S. state regulatory uncertainty**

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Resulting Issuer's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Resulting Issuer will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Resulting Issuer's business activity. Although legal under the laws of the states in which the Resulting Issuer's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Resulting Issuer's business.

The Resulting Issuer is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects.

VCP currently and following the Transaction intends to operate in Illinois, Nevada, Massachusetts, Maryland, Pennsylvania, Florida and others as deemed appropriate by management.

### **Restricted access to banking**

In February 2014, the Financial Crimes Enforcement Network (“**FinCEN**”) bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements.<sup>20</sup> This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Resulting Issuer may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Resulting Issuer's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Resulting Issuer to operate and conduct its business as planned or to operate efficiently.

### **Heightened scrutiny by Canadian regulatory authorities**

For the reasons set forth above, the Resulting Issuer's existing operations in the United States, and any future operations or investments, 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 operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It had 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 United States. CDS is Canada's central securities depository, clearing and settling trades in the

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<sup>20</sup> Department of the Treasury Financial Crimes Enforcement Network. (2014). *Guidance re: BSA Expectations Regarding Marijuana-Related Businesses* (FIN-2014-G001). Retrieved from <https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.



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 United States, 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.

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 TSXV.<sup>21</sup> 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 United States. 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 United States. 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 until an alternative was implemented, investors would have no ability to effect a trade of the common shares through the facilities of the applicable stock exchange.

### **Regulatory scrutiny of the Resulting Issuer's interests in the United States**

For the reasons set forth above, the Resulting Issuer's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies 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 carry on its business in the United States.

### **Constraints on marketing products**

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

### **Unfavorable tax treatment of cannabis businesses**

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), "no deduction or credit shall be allowed for any amount paid or

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<sup>21</sup> Memorandum from The Canadian Depository for Securities, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (8 February 2018). Retrieved from <https://www.cds.ca/resource/en/249/>.

incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the U.S. Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

### **Risk of Civil Asset Forfeiture**

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either 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 were 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.

### **Proceeds of crime statutes**

The Resulting Issuer will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the 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, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Resulting Issuer's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially adverse to the Resulting Issuer and, among other things, could restrict or otherwise jeopardize the ability of the Resulting Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

### **United States tax classification of the Resulting Issuer**

The Resulting Issuer, which is and will continue to be a Canadian corporation as of the date of this Listing Statement, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non- United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States. (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or

indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the “**Inversion Conditions**”).

For this purpose, “expanded affiliated group” means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an “expanded affiliated group” includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

The Resulting Issuer intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Resulting Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the “*ITA*”) for Canadian income tax purposes. As a result, the Resulting Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Resulting Issuer will pay any dividends on the common shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Resulting Issuer, subject to examination of the relevant treaty.

Because the common shares will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. shareholder of common shares.

**EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.**

### **Security Risks**

The business premises of the Resulting Issuer's operating locations are targets for theft. While the Resulting Issuer has implemented security measures at each location and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Resulting Issuer fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Resulting Issuer.

As the Resulting Issuer's business involves the movement and transfer of cash which is collected from dispensaries or patients/customers and deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Resulting Issuer has engaged a security firm to provide security in the transport and movement of large amounts of cash. Employees sometimes transport cash and/or products and each employee has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Resulting Issuer has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

### **Limited trademark protection**

The Resulting Issuer will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Resulting Issuer likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

### **The Resulting Issuer May be Exposed to Infringement or Misappropriation Claims by Third Parties, Which, if Determined Adversely to the Resulting Issuer, Could Subject the Resulting Issuer to Significant Liabilities and Other Costs**

The Resulting Issuer's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Resulting Issuer cannot assure that third parties will not assert intellectual property claims against it. The Resulting Issuer is subject to additional risks if entities licensing to it intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Resulting Issuer, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Resulting Issuer may become a party could subject it to significant liability to third parties, require it to seek licenses from third

parties, to pay ongoing royalties or subject the Resulting Issuer to injunctions prohibiting the development and operation of its applications.

### **Currency Fluctuations**

Due to the Resulting Issuer's present operations in the United States, and its intention to continue future operations outside Canada, the Resulting Issuer is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Resulting Issuer's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Resulting Issuer does not have currency hedging arrangements in place and there is no expectation that the Resulting Issuer will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Resulting Issuer's business, financial position or results of operations.

### **Lack of access to U.S. bankruptcy protections**

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Resulting Issuer were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Resulting Issuer, which would have a material adverse effect.

### **Potential FDA regulation**

Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Resulting Issuer is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Resulting Issuer's business, operating results and financial condition.

### **Legality of contracts**

Because the Resulting Issuer's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Resulting Issuer may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

### **Unfavourable Publicity or Consumer Perception**

Proposed management of the Resulting Issuer believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Resulting Issuer's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of

recreational 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 recreational 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 the Resulting Issuer's proposed products and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the Resulting Issuer's proposed products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Resulting Issuer's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

### **Voting Control**

As a result of the Super Voting Shares that they are anticipated to hold, Benjamin Kovler, the Resulting Issuer's Chairman and Founder, Pete Kadens, the Resulting Issuer's Chief Executive Officer, Andrew Grossman, the Resulting Issuer's Head of Capital Markets and Anthony Georgiadis, the Resulting Issuer's Chief Financial Officer are anticipated to exercise a significant majority of the voting power in respect of the Resulting Issuer's outstanding shares upon completion of the Transaction. The Subordinate Voting Shares are expected to be entitled to one vote per share, Multiple Voting Shares are expected to be entitled to 100 votes per share, and the Super Voting Shares are expected to be entitled to up to 1,000 votes per share. As a result, Mr. Kovler, Mr. Kadens, Mr. Grossman and Mr. Georgiadis, are expected to have the ability to control the outcome of all matters submitted to the Resulting Issuer's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Resulting Issuer.

This concentrated control could delay, defer, or prevent a change of control of the Resulting Issuer, arrangement or amalgamation involving the Resulting Issuer or sale of all or substantially all of the assets of the Resulting Issuer that its other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to consummate such a transaction that the Resulting Issuer's other shareholders do not support. In addition, the holders of the Super Voting Shares may make long-term strategic investment decisions and take risks that may not be successful and may seriously harm the Resulting Issuer's business.

### **Unpredictability Caused by Anticipated Capital Structure and Voting Control**

Although other Canadian-based companies have dual class or multiple voting share structures, given the unique capital structure contemplated in respect of the Resulting Issuer and the concentration of voting control that is anticipated to be held by the holders of the Super Voting Shares, this structure and control could result in a lower trading price for or greater fluctuations

in the trading price of the Resulting Issuer's common shares or will result in adverse publicity to the Resulting Issuer or other adverse consequences.

### **The Resulting Issuer is a holding company**

The Resulting Issuer is a holding company and essentially all of its assets are the capital stock of its subsidiaries in each of the markets the company operates in, including, Nevada, Illinois, Maryland, Pennsylvania, Massachusetts, and Florida. As a result, investors in the Resulting Issuer are subject to the risks attributable to its subsidiaries. As a holding company, the Resulting Issuer conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Resulting Issuer's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Resulting Issuer. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Resulting Issuer's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Resulting Issuer.

### **Sales of substantial amounts of Subordinate Voting Shares may have an adverse effect on the market price of the Subordinate Voting Shares**

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the market prices of the Subordinate Voting Shares could impair the Resulting Issuer's ability to raise additional capital through the sale of securities should it desire to do so.

### **Volatile market price for the Subordinate Voting Shares**

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Resulting Issuer's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Resulting Issuer's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Resulting Issuer will operate;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Subordinate Voting Shares;
- sales or perceived sales of additional Subordinate Voting Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Resulting Issuer's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- fluctuations to the costs of vital production materials and services;

- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Resulting Issuer's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Resulting Issuer's operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

### **Liquidity**

The Resulting Issuer cannot predict at what prices the Subordinate Voting Shares of the Resulting Issuer will trade and there can be no assurance that an active trading market will develop or be sustained. Final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Resulting Issuer.

### **Increased costs as a result of being a public company**

As a public issuer, the Resulting Issuer will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Resulting Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Resulting Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

### **Future acquisitions or dispositions**

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and (vi) loss or reduction of control over certain of the Resulting Issuer's assets. Additionally, the Resulting Issuer may issue additional Subordinate Voting Shares in connection with such transactions, which would dilute a shareholder's holdings in the Resulting Issuer.



The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer. A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations.

### **Resulting Issuer's products**

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Resulting Issuer can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Resulting Issuer.

Shareholders and investors should further consider, among other factors, the Resulting Issuer's prospects for success in light of the risks and uncertainties encountered by companies that, like the Resulting Issuer, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of the Resulting Issuer's business. The Resulting Issuer may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Resulting Issuer fails to do so, it could materially harm the Resulting Issuer's business to the point of having to cease operations and could impair the value of the common shares to the point investors may lose their entire investment.

The Resulting Issuer expects to commit significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Resulting Issuer cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that the Resulting Issuer may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Resulting Issuer to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Resulting Issuer's business, financial condition and results of operations.

### **Risks inherent in an agricultural business**

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

### **Energy costs**

The Resulting Issuer's recreational cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Resulting Issuer and its ability to operate profitably.

### **Unknown environmental risks**

There can be no assurance that the Resulting Issuer will not encounter hazardous conditions at the site of the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Resulting Issuer may be suspended. If the Resulting Issuer receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Resulting Issuer's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Resulting Issuer.

### **Reliance on management**

A risk associated with the production and sale of recreational cannabis is the loss of important staff members. Success of the Resulting Issuer will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

### **Insurance and uninsured risks**

The Resulting Issuer's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Resulting Issuer intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Resulting Issuer may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Resulting Issuer is not generally available on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Emerging Industry**

The recreational cannabis industry is emerging. There can be no assurance that an active and liquid market for shares of the Resulting Issuer will develop and shareholders may find it difficult to resell their Subordinate Voting Shares. Accordingly, no assurance can be given that the Resulting Issuer or its business will be successful.

## **Dependence on key inputs, suppliers and skilled labour**

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Resulting Issuer. 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, the Resulting Issuer might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Resulting Issuer in the future. 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, results of operations or prospects of the Resulting Issuer.

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Resulting Issuer.

## **Difficulty to forecast**

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

## **Management of growth**

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

## **Internal controls**

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Although the Resulting Issuer will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Resulting Issuer under Canadian securities law, the Resulting Issuer cannot be certain that such measures will ensure that the Resulting Issuer will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the

Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

### **Litigation**

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 the Subordinate Voting Shares and could use significant resources. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant resources of VCP and/or the Resulting Issuer.

### **Product liability**

The Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Resulting Issuer's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products.

### **Product recalls**

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 Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Resulting Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's significant brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products 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 the Resulting Issuer's operations by the U.S. Food and Drug Administration, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

### **Results of Future Clinical Research**

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol (“**CBD**”) and tetrahydrocannabinol (“**THC**”)) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Resulting Issuer believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of Subordinate Voting Shares should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Listing Statement or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Resulting Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

### **Competition**

The Resulting Issuer will face intense competition from other companies, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. If the number of users of recreational cannabis in the states in which the Resulting Issuer will operate its business increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of its operations.

A decline in the price of the Subordinate Voting Shares could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Subordinate Voting Shares could result in a reduction in the liquidity of its Subordinate Voting Shares and a reduction in its ability to raise capital. Because a significant portion of the Resulting Issuer's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Resulting Issuer's liquidity and its operations. Such reductions may force the Resulting Issuer to reallocate funds from other planned uses and may have a

significant negative effect on the Resulting Issuer's business plan and operations, including its ability to develop new products and continue its current operations. If the Resulting Issuer's stock price declines, it can offer no assurance that the Resulting Issuer will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Resulting Issuer is unable to raise sufficient capital in the future, the Resulting Issuer may not be able to have the resources to continue its normal operations.

### **Newly established legal regime**

The Resulting Issuer business activities will rely on newly established and/or developing laws and regulations in the states in which it operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Resulting Issuer, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

### **General economic risks**

The Resulting Issuer's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Resulting Issuer's sales and profitability.

## **18. PROMOTERS**

### **18.1 – 18.2 Promoters**

No person or company has been within the two years immediately preceding the date of this Listing Statement, a promoter of the Resulting Issuer.

## **19. LEGAL PROCEEDINGS**

### **19.1 Legal Proceedings**

There are no actual or contemplated legal proceedings material to the Corporation or a subsidiary of the Corporation or of which any of their respective property is the subject matter and there are no such proceedings known to the Corporation to be contemplated.

There have been no penalties or sanctions imposed against the Resulting Issuer by a court or regulatory authority, and the Resulting Issuer has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this Listing Statement.

### **19.2 Regulatory Actions**

The Corporation is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Listing Statement; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. n The Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

## **20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer of the Corporation or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Corporation, or any associate or affiliate of any of the foregoing has or had any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, which has materially affected or will materially affect the Corporation or any of its subsidiaries.

## **21. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **21.1 Auditors**

The auditors of the Corporation are Davidson & Company, LLP located at 1200-609 Granville St, Vancouver, BC V7Y 1G6.

The auditors of VCP are MNP LLP, Chartered Professional Accountants at its office located at 111 Richmond St W #300, Toronto, ON M5H 2G4, Canada.

The auditors of the Resulting Issuer will be MNP LLP, Chartered Professional Accountants at its office located at 111 Richmond St W #300, Toronto, ON M5H 2G4, Canada.

### **21.2 Transfer Agent and Registrar**

The transfer agent and registrar of the Corporation's common shares is, and the transfer agent and registrar of the Resulting Issuer's subordinate voting shares will be, Odyssey Trust Company, at its offices 835 - 409 Granville Street Vancouver BC V6C 1T2, Canada.

## **22. MATERIAL CONTRACTS**

During the course of the two years prior to the date of the Listing Statement, the Corporation has entered into the following material contracts, other than contracts entered into in the ordinary course of business:

- (a) the Definitive Agreement;
- (b) loan and security agreement between GTI-Clinic Illinois Holdings, LLC and a third party lender dated October 2, 2017;
- (c) lending agreement between GTI-Clinic Illinois Holdings, LLC and third party lenders dated October 2, 2017;

- (d) option agreement between Vision Management Services, LLC and GTI Core, LLC dated January 1, 2018;
- (e) convertible promissory note between VCP23, LLC and GTI Core, LLC dated January 1, 2018;
- (f) convertible promissory note between Vision Management Services, LLC and GTI Core, LLC dated February 21, 2017;
- (g) contribution agreement with KW Ventures Holdings, LLC dated February 14, 2018;
- (h) definitive agreement between GTI Florida, LLC, KSGNF, LLC and the members of KSGNF, LLC dated May 31, 2018;
- (i) letter of intent between GTI Core, LLC and Revolution Maryland Retail dated April 20, 2017;
- (j) letter of intent between GTI Core, LLC and MGTM, LLC dated July 18, 2017; and

## **22.2 Special Agreements**

This section is not applicable to the Corporation.

## **23. INTEREST OF EXPERTS**

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Corporation or of an Associate or Affiliate of the Corporation and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an Associate or Affiliate of the Corporation and no such person is a promoter of the Corporation or an Associate or Affiliate of the Corporation. Davidson & Company, LLP is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia. MNP LLP, Chartered Professional Accountants, is independent of VCP in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

## **24. OTHER MATERIAL FACTS**

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

## **25. FINANCIAL STATEMENTS**

### **25.1 Financial Statements of the Corporation**

Schedule "A" contains copies of all financial statements including the auditor's reports, where



applicable, prepared and filed under applicable securities legislation for the preceding three years.

## **25.2 Financial Statements of VCP**

Schedule "B" contains copies of all financial statements including the auditor's reports, where applicable, prepared and filed under applicable securities legislation for the preceding three years.

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Green Thumb Industries Inc., hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Green Thumb Industries 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 at Vancouver, British Columbia this 12th day of June, 2018.

*"Victor Tanaka"*

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Victor Tanaka  
Chief Executive Officer

*"Mark Gelmon"*

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Mark Gelmon  
Chief Financial Officer

*"Robert Falls"*

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Robert Falls  
Director

## CERTIFICATE OF THE TARGET

Pursuant to a resolution duly passed by its Board of Directors, VCP23, LLC, hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to VCP23, LLC and GTI Finco 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 at Vancouver, British Columbia this 12th day of June, 2018.

*"Peter Kadens"*

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Peter Kadens  
Chief Executive Officer

*"Anthony Georgiadis"*

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Anthony Georgiadis  
Chief Financial Officer

*"Benjamin Kovler"*

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Benjamin Kovler  
Director

*"Wendy Berger"*

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Wendy Berger  
Director

**SCHEDULE "A"**  
**FINANCIAL STATEMENTS OF BAYSWATER URANIUM CORPORATION**

*(See attached)*

**BAYSWATER URANIUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**YEAR ENDED FEBRUARY 28, 2017**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Bayswater Uranium Corporation

We have audited the accompanying consolidated financial statements of Bayswater Uranium Corporation, which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of Bayswater Uranium Corporation as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Bayswater Uranium Corporation's ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

June 28, 2017

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
AS AT

	February 28, 2017	February 29, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 130,900	\$ 205,361
Marketable securities (Note 4)	48,625	49,726
Receivables (Note 5)	21,816	9,921
Prepays and deposits	<u>1,415</u>	<u>12,769</u>
	202,756	277,777
<b>Equipment</b> (Note 6)	7,329	9,499
<b>Reclamation bonds</b>	6,862	6,862
<b>Exploration and evaluation assets</b> (Note 7)	<u>957,157</u>	<u>3,234,438</u>
	<u>\$ 1,174,104</u>	<u>\$ 3,528,576</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	<u>\$ 1,631,332</u>	<u>\$ 3,779,869</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 9)	83,632,678	83,632,678
Reserves (Note 9)	16,749,754	16,749,754
Deficit	<u>(100,839,660)</u>	<u>(100,633,725)</u>
	<u>(457,228)</u>	<u>(251,293)</u>
	<u>\$ 1,174,104</u>	<u>\$ 3,528,576</u>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 12)

**Subsequent event** (Note 16)

**Approved and authorized on behalf of the Board on June 28, 2017:**

\_\_\_\_\_  
"Victor Tanaka" Director      \_\_\_\_\_  
"Ken Armstrong" Director

The accompanying notes are an integral part of these consolidated financial statements.



**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
YEARS ENDED

	February 28, 2017	February 29, 2016
<b>EXPENSES</b>		
Administration (Note 10)	\$ 21,000	\$ 22,000
Amortization (Note 6)	2,170	2,849
Directors' fees (Note 10)	18,750	37,500
Investor relations	-	42,000
Management fees (Note 10)	60,000	120,000
Office and miscellaneous	16,426	27,944
Professional fees (Note 10)	76,874	74,711
Rent (Note 10)	-	528
Shareholder communication	16,079	28,003
Transfer agent and filing fees	19,283	19,437
Travel and related costs	-	773
<b>Loss from operations</b>	<u>(230,582)</u>	<u>(375,745)</u>
Foreign exchange loss (gain)	122,593	(215,264)
Interest expense (Note 7)	-	(258,619)
Gain on sale of exploration and evaluation assets (Note 7)	-	348,622
Write-down of exploration and evaluation assets (Note 7)	(163,138)	(922,806)
Gain on forgiveness of debt	-	68,015
Gain on sale of marketable securities	49,594	-
Unrealized gain (loss) on marketable securities (Note 4)	<u>15,598</u>	<u>28,175</u>
	<u>24,647</u>	<u>(951,877)</u>
<b>Loss and comprehensive loss for the year</b>	<u>\$ (205,935)</u>	<u>\$ (1,327,622)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.04)</u>
<b>Weighted average number of common shares outstanding</b>	<u>30,072,881</u>	<u>30,072,881</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
YEARS ENDED

	February 28, 2017	February 29, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (205,935)	\$ (1,327,622)
Items not affecting cash:		
Amortization	2,170	2,849
Accrued interest expense	-	258,619
Unrealized loss (gain) on marketable securities	(15,598)	(28,175)
Gain on sale of marketable securities	(49,594)	-
Gain on sale of exploration and evaluation assets	-	(68,015)
Gain on forgiveness of debt	-	(348,622)
Write-down of exploration and evaluation assets	163,138	922,806
Changes in non-cash working capital items:		
Increase in receivables	(11,895)	(5,286)
Decrease (increase) in prepaids and deposits	11,354	29,902
Increase in accounts payable and accrued liabilities	<u>(34,393)</u>	<u>283,645</u>
Net cash used in operating activities	<u>(140,753)</u>	<u>(279,899)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	66,292	-
Exploration and evaluation asset recoveries and proceeds on sale	<u>-</u>	<u>388,622</u>
Net cash provided by investing activities	<u>66,292</u>	<u>388,622</u>
<b>Change in cash during the year</b>	(74,461)	108,723
<b>Cash, beginning of year</b>	<u>205,361</u>	<u>96,638</u>
<b>Cash, end of year</b>	<u>\$ 130,900</u>	<u>\$ 205,361</u>

**Supplemental disclosure with respect to cash flows (Note 11)**

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock Amount	Reserves	Deficit	Total
<b>Balance, February 28, 2015</b>	28,739,548	\$ 83,592,678	\$ 16,749,754	\$ (99,306,103)	\$ 1,036,329
Shares issued for exploration and evaluation asset	2,000,000	40,000	-	-	40,000
Loss for the year	-	-	-	(1,327,622)	(1,327,622)
<b>Balance, February 29, 2016</b>	30,739,548	83,632,678	16,749,754	(100,633,725)	(251,293)
Loss for the year	-	-	-	(205,935)	(205,935)
<b>Balance, February 28, 2017</b>	30,739,548	\$ 83,632,678	\$ 16,749,754	\$ (100,839,660)	\$ (457,228)

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Bayswater Uranium Corporation (incorporated under the laws of the Province of British Columbia) and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the acquisition and exploration of exploration and evaluation assets and have not yet determined whether these assets contain economically recoverable reserves. To date, the Company has not earned significant revenues.

The Company’s principal address is suite 545 – 999 Canada Place, Vancouver, BC, V6C 3E1 and its registered and records office is 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs. The Company has not met certain funding obligations with respect to the Reno Creek Property which has resulted in the dilution of the Company’s ownership interest (Note 7).

The financing activities may include issuances of additional debt or equity securities or disposal of interests in exploration and evaluation assets in order to re-invest the proceeds. During the year ended February 28, 2017, the Company transferred a portion of its ownership interest in the Reno Creek property to settle payables of \$2,219,335 (US\$1,639,737) (Notes 7 and 16). The recoverability of the carrying value and maintenance of ownership interests on exploration projects, and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the assets, future profitable production or, alternatively, upon the Company’s ability to dispose of its assets on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These consolidated financial statements were authorized for issue on June 28, 2017 by the directors of the Company.

**Basis of consolidation and presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Basis of consolidation and presentation (cont'd)**

These consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The Company's wholly-owned subsidiaries are as follows:

- Bayswater Holdings Inc. (incorporated in British Columbia)
- NCU Holdings Inc. (incorporated in British Columbia)
- Kilgore Gold Company (incorporated in the United States of America)
- NCA Nuclear Inc. (incorporated in the United States of America)

**Basis of preparation**

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent 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"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Significant accounting judgments, estimates and assumptions**

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

Areas requiring a significant degree of estimation and judgment relate to, but are not limited to:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and stock-based share issuance costs included in shareholders' equity (deficiency). The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the good or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Significant accounting judgments, estimates and assumptions (cont'd)**

- iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

**Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar for the Company and its subsidiaries. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a currency other than the Canadian dollar are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss in the period in which they arise.

**Exploration and evaluation expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Stock-based compensation**

The Company operates an incentive stock option plan. Stock-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based compensation to non-employees is 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 is recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of reserves are transferred to capital stock.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Loans and receivables* – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

*Available-for-sale* – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Financial instruments (cont'd)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Other financial liabilities* – This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and marketable securities as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the 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.

See Note 14 for relevant disclosures.

**Equipment**

Equipment is recorded at cost, net of accumulated amortization. Amortization is calculated on an annual basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	30% declining balance



**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Impairment of assets**

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**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, in the countries where the Company operates and generates taxable income.

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 tax:

Deferred tax is provided using the statement of financial position liability 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 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 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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Income taxes (cont'd)**

Deferred tax: (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, the income taxes relate to the same taxable entity and the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

**Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets, when those obligations result from the acquisition, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**3. ACCOUNTING STANDARDS NOT YET EFFECTIVE**

The Company has not early adopted these standards, which are effective for annual periods beginning on or after March 1, 2017, and is assessing the impact that these standards will have on its financial statements:

- a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);
- b) IFRS 15 Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15);  
and
- c) IFRS 16 Leases (new)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

**4. MARKETABLE SECURITIES**

As at February 29, 2017, marketable securities consist of shares in publicly-traded companies with an initial cost of \$190,362 (2016 - \$207,060) and a fair value of \$48,625 (2016 - \$49,726). An unrealized gain on marketable securities of \$15,598 (2016 -\$28,175) was recorded in the statement of loss and comprehensive loss for the year ended February 28, 2017.

**5. RECEIVABLES**

The Company's receivables consist of the following:

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	February 28, 2017	February 29, 2016
GST receivable	\$ 14,592	\$ 8,957
Other (Note 10)	<u>7,224</u>	<u>964</u>
Total	<u>\$ 21,816</u>	<u>\$ 9,921</u>

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**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**6. EQUIPMENT**

	Furniture and fixtures	Computer equipment	Exploration equipment	Total
<b>Cost</b>				
Balance, February 28, 2015, February 29, 2016 and February 28, 2017	\$ 9,536	\$ 84,520	\$ 24,436	\$ 118,492
<b>Accumulated amortization</b>				
Balance, February 28, 2015	\$ 9,076	\$ 77,742	\$ 19,326	\$ 106,144
Amortization	85	1,816	948	2,849
Balance, February 29, 2016	9,161	79,558	20,274	108,993
Amortization	69	1,329	772	2,170
Balance, February 28, 2017	\$ 9,230	\$ 80,887	\$ 21,046	\$ 111,163
<b>Carrying amounts</b>				
As at February 29, 2016	\$ 375	\$ 4,962	\$ 4,162	\$ 9,499
As at February 28, 2017	\$ 306	\$ 3,633	\$ 3,390	\$ 7,329

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**7. EXPLORATION AND EVALUATION ASSETS**

<b>Year Ended February 28, 2017</b>	Collins Bay Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 1	\$ 2,014,826	\$ 2,014,827
Debt settlement with PRRF (Note 7)	-	(894,532)	(894,532)
Impairment	-	(163,138)	(163,138)
Balance, end of year	<u>1</u>	<u>957,156</u>	<u>957,157</u>
<b>Deferred exploration costs</b>			
Balance, beginning of year	-	1,219,611	1,219,611
Debt settlement with PRRF (Note 7)	-	(1,219,611)	(1,219,611)
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total, end of year</b>	<b>\$ 1</b>	<b>\$ 957,156</b>	<b>\$ 957,157</b>

<b>Year Ended February 29, 2016</b>	Collins Bay Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 1	\$ 2,937,632	\$ 2,937,633
Impairment	-	(922,806)	(922,806)
Balance, end of year	<u>1</u>	<u>2,014,826</u>	<u>2,014,827</u>
<b>Deferred exploration costs</b>			
Balance, beginning and end of year	<u>-</u>	<u>1,219,611</u>	<u>1,219,611</u>
<b>Total, end of year</b>	<b>\$ 1</b>	<b>\$ 3,234,437</b>	<b>\$ 3,234,438</b>

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

*Uranium properties*

**Investment in Reno Creek Property**

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp., and American Uranium Corp. ("American"), for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property").

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC ("AUC"), a limited liability company, in consideration for the aggregate payment of US\$20,000,000 (\$20,026,000) to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at \$2,502,150. In consideration for a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$1,000,000 and issued 1,833,455 common shares of the Company valued at US\$1,000,000 (\$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into Reno Creek Holdings Inc. ("RCHI") (formerly 514565 Canada Inc. and formerly referred to as "Newco") which holds the Property indirectly through AUC LLC. PRRF initially held a 76.92% interest in RCHI and the Company initially held a 23.08% interest in RCHI. The Company's cost of its 23.08% interest totaled \$8,250,678, which included an establishment fee of US\$700,000, (originally payable on or before December 1, 2010, and subsequently amended to be paid upon, or prior to, the next capital contribution to RCHI by the Company, and bearing interest at the rate of prime plus 15% per annum) and a finder's fee of US\$1,000,000, both payable in conjunction with this investment agreement. The Company and PRRF entered into a shareholders' agreement in respect of RCHI which permitted the Company to contribute additional amounts to RCHI in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in RCHI into common shares of the Company at any time up to six months following the latter of completion of a feasibility study and mine permitting but, in any event, PRRF was to convert its investment not later than five years from April 7, 2010, provided certain conditions were met. Upon conversion of PRRF's investment, the Company would own a 100% interest in RCHI which indirectly holds the Reno Creek Property. The conditions to such exchange were not satisfied by April 7, 2015 and, accordingly, PRRF's interest in RCHI was not exchanged for common shares of Bayswater. As a result, PRRF no longer has the right or obligation to convert its RCHI shares into shares of Bayswater.

The Company was to contribute additional amounts in stages totaling US\$14,000,000 to earn a 50% interest in RCHI and in order to complete a feasibility study and to secure mining permits.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Investment in Reno Creek Property** (cont'd...)

Prior to the beginning of the year ended February 29, 2016, the Company's interest held in RCHI was reduced to 10.4%.

During January 2016, PRRF completed a further US\$3,350,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 9.50% from 10.40% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 10.40% to 9.50%.

During the year ended February 29, 2016, the Company wrote down its investment in the Reno Creek property by \$922,806 (2015 - \$4,013,143) to better reflect its estimated recoverable amount with respect to market conditions existing at the time of the write down.

During the year ended February 28, 2017, the Company announced that PRRF, Pacific Road Capital Management Pty Ltd. ("PRCM") and the Company agreed to a settlement of all outstanding indebtedness of the Company owed to PRRF and PRCM, under the investment agreement dated April 7, 2010, as amended, between the Company, its subsidiary, Bayswater Holdings Inc. ("BHI") and PRRF and the shareholders agreement dated April 7, 2010, as amended (the "Shareholders Agreement"), between the Company, BHI, PRRF and RCHI.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 of its 6,000,000 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of \$2,114,143 (US\$1,639,737) owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement. As a result of the debt settlement, PRRF's interest in Reno Creek increased to 96.91% and the Company's interest decreased to 3.09%.

During February 2017, PRRF completed a further US\$1,500,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 2.73% from 3.09%.

During the year ended February 28, 2017, the Company wrote down its investment in the Reno Creek property by \$163,138 (fiscal 2016 - \$922,806) to better reflect its estimated recoverable amount to be received on subsequent disposal of the investment (Note 16).

The value of the Reno Creek property as at February 28, 2017 reflects the value of the common shares and share purchase warrants to be received as part of the subsequent share purchase agreement with Uranium Energy Corp. (Note 16). The shares and warrants were valued at \$700,339 and \$256,818, respectively. The warrants were valued using the Black-Scholes pricing model using a volatility of 71.16%, a share price of US\$1.35, an expected life of 5 years and a discount rate of 0.85%.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Collins Bay Extension and Brudell Property, Saskatchewan**

During the year ended February 29, 2016, the Company completed the sale of its CBE property to Nu Nova Energy Ltd. ("Nu Nova"), a private British Columbia company, for gross proceeds totaling \$400,000. In conjunction with the sale, the Company incurred \$10,920 of legal fees and issued 2,000,000 common shares (valued at \$40,000) and a 2.5% net-smelter-return royalty to CanAlaska as an option agreement break fee. Nu Nova received the right of first refusal to purchase up to a 1.5% net-smelter-return royalty from CanAlaska for \$500,000 per 0.5% royalty after production is achieved.

The Company owns a 100% interest in the Brudell property, which remains in good standing.

**8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

	February 28, 2017	February 29, 2016
Trade payables (Note 10)	\$ 1,618,832	\$ 2,314,734
Accrued liabilities (Note 10)	<u>12,500</u>	<u>1,465,135</u>
<b>Total</b>	<b>\$ 1,631,332</b>	<b>\$ 3,779,869</b>

**9. CAPITAL STOCK AND RESERVES**

**Authorized capital stock**

As at February 28, 2017, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of Class A convertible preferred shares without par value.

**Share issuance for exploration and evaluation asset**

During the year ended February 29, 2016, the Company issued 2,000,000 common shares to CanAlaska pursuant to an agreement to sell its CBE property (Note 7). The shares were valued at \$40,000.

The Company did not issue any common shares during the year ended February 28, 2017.



**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**9. CAPITAL STOCK AND RESERVES (cont'd...)**

**Stock options**

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 10 years.

As at February 28, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price <sup>(1)</sup>	Expiry Date
1,753,250	0.10	April 29, 2017 *
1,952,500	0.10	February 3, 2018
3,705,750	0.10	February 3, 2018

\* Expired unexercised subsequent to February 28, 2017.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2015	3,905,750	\$ 0.10
Cancelled/expired	<u>(200,000)</u>	0.10
Balance, February 29, 2016 and February 28, 2017	<u>3,705,750</u>	<u>0.10</u>
Number of options currently exercisable	<u>3,705,750</u>	<u>\$ 0.10</u>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**9. CAPITAL STOCK AND RESERVES (cont'd...)**

**Warrants**

As at February 28, 2017, the Company had no outstanding share purchase warrants.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
As at February 28, 2015	6,061,200	\$	0.095
Expired	<u>(1,230,000)</u>		0.075
As at February 29, 2016	4,831,200		0.10
Expired	<u>(4,831,200)</u>		0.10
As at February 28, 2017	-	\$	-

**10. RELATED PARTY TRANSACTIONS**

During the year ended February 28, 2017, the Company:

- a) Paid or accrued \$60,000 (2016 - \$120,000) for management fees to the current CEO of the Company.
- b) Paid or accrued \$21,000 (2016 - \$22,000) for administration fees, \$Nil (2016 - \$750) for rent and \$34,000 (2016 - \$34,000) for professional fees to a company associated with two officers of the Company.
- c) Accrued \$18,750 (2016 - \$37,500) for director fees.

Included in receivables at February 28, 2017 is \$6,705 owing from AUC LLC, a company related via officers in common (2016 - \$445).

Included in accounts payable and accrued liabilities at February 28, 2017 is \$806,753 (February 29, 2016 - \$761,374) owing to a company controlled by the former CEO of the Company, to the current CEO of the Company, to directors of the Company and to a company controlled by an officer of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the years ended February 28, 2017 and February 29, 2016 are as follows:

	2017		2016
Administration fees	\$ 21,000	\$	22,000
Directors' fees	18,750		37,500
Management fees	60,000		120,000
Professional fees	34,000		34,000
Rent	<u>-</u>		<u>750</u>
	\$ 133,750	\$	214,250

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2017	2016
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The significant non-cash transaction during the year ended February 29, 2016 included the issuance of 2,000,000 common shares, valued at \$40,000, in conjunction with the sale of its CBE property (Note 7).

The significant non-cash transaction during the year ended February 28, 2017 included the reduction in the Company's interest in RCHI in return for debt settled with PRRF in the amount of \$2,114,143 (Note 7).

**12. COMMITMENTS**

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of \$10,000 and \$5,733 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

**13. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	2017	2016
Loss for the year	\$ (205,935)	\$ (1,327,623)
Expected income tax (recovery)	\$ (54,000)	\$ (345,000)
Change in statutory, foreign tax and foreign exchange rates	-	(125,000)
Permanent difference	27,000	21,000
Change in unrecognized deductible temporary differences	27,000	491,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2017	2016
Deferred Tax Assets (Liabilities):		
Exploration and evaluation assets	\$ 9,452,000	\$ 9,452,000
Property and equipment	35,000	34,000
Share issuance costs	1,000	2,000
Marketable securities	18,000	20,000
Allowable capital losses	236,000	236,000
Non-capital losses available for future period	4,429,000	4,401,000
Unrecognized deferred tax assets	\$ 14,171,000	\$ 14,145,000

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 28, 2017**

**13. INCOME TAXES (cont'd...)**

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2017	Expiry Date Range	2016
Temporary differences:			
Exploration and evaluation assets	\$ 33,629,000	No expiry date	\$ 33,629,000
Property and equipment	133,000	No expiry date	131,000
Marketable securities	142,000	No expiry date	157,000
Share issue costs	4,000	2038 - 2039	6,000
Allowable capital losses	909,000	No expiry date	909,000
Investment tax credits	150,000	2020 - 2032	150,000
Non-capital losses available for future period	16,509,000	2024 - 2037	16,401,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

The Company's receivables consist mainly of GST receivable due from the government of Canada (Note 5).

*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 liquidity risk through its capital management as outlined below. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at February 28, 2017 of \$1,428,576. Included in accounts payable and accrued liabilities are finder's and establishment fees (and accrued interest thereon) totaling \$693,142 (US\$525,000) (2016 - \$2,929,907 (US\$2,164,737)) associated with the acquisition of the Reno Creek Property (Note 7).

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is minimal because these investments roll over daily.

b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	6,290
Reclamation bonds	5,070
Accounts payable and accrued liabilities	(525,000)
Net exposure	(513,640)

Based on the above net exposure as at February 28, 2017, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by \$51,364.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its resource properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of resource property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**15. SEGMENTED INFORMATION**

The primary business of the Company is the acquisition and exploration of resource properties.

Geographic information is as follows:

	February 28, 2017	February 29, 2016
<b>Non-current assets</b>		
Canada	\$ 1,562	\$ 2,113
United States	969,786	3,248,686
	<u>\$ 971,348</u>	<u>\$ 3,250,799</u>

**16. SUBSEQUENT EVENT**

Subsequent to February 28, 2017, Pacific Road Resources Funds ("PRRF") entered into a definitive share purchase agreement with Uranium Energy Corp. ("UEC") to sell all of PRRF's issued and outstanding shares of Reno Creek Holdings Inc. ("RCHI") and, indirectly thereby, 100% of the fully permitted Reno Creek.

The Company presently owns a 2.73% interest in RCHI and has received notice from PRRF whereby PRRF has exercised certain drag-along rights requiring the Company to sell its 2.73% interest in RCHI to UEC for prorated consideration identical to the consideration being issued to PRRF.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 28, 2017

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**16. SUBSEQUENT EVENT (cont'd...)**

Under the terms of the agreement, UEC will issue to the Company, in return for the Company's 2.73% ownership interest in RCHI, the following:

- a) 392,927 common shares of UEC;
- b) 308,728 share purchase warrants of UEC, with each warrant entitling the holder to acquire one share of UEC at an exercise price of US\$2.30 per share for a period of five years from closing. The warrants will have an accelerator clause that provides that, in the event that the closing price of UEC's common shares on its principally traded exchange is equal to or greater than US\$4.00 per share for a period of twenty consecutive trading days, UEC may accelerate the expiry date of the warrants to within thirty days by providing written notice to the holders; and
- c) At the Company's election, to be made in writing prior to the closing date for the transaction, a 0.01403% net profit interest royalty capped at US\$70,165.50 (or the payment of US\$2,807).

All securities issued to the Company are subject to a four-month hold period pursuant to applicable securities legislation, and UEC has agreed to register the UEC shares issuable with the U.S. Securities and Exchange Commission for resale in the United States.

**BAYSWATER URANIUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**YEAR ENDED FEBRUARY 29, 2016**



## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Bayswater Uranium Corporation

We have audited the accompanying consolidated financial statements of Bayswater Uranium Corporation, which comprise the consolidated statements of financial position as at February 29, 2016 and February 28, 2015, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of Bayswater Uranium Corporation as at February 29, 2016 and February 28, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Bayswater Uranium Corporation to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

June 28, 2016

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
AS AT

	February 29, 2016	February 28, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 205,361	\$ 96,638
Marketable securities (Note 4)	49,726	21,551
Receivables (Note 5)	9,921	4,635
Prepays and deposits	<u>12,769</u>	<u>42,671</u>
	277,777	165,495
<b>Equipment</b> (Note 6)	9,499	12,348
<b>Reclamation bonds</b>	6,862	6,862
<b>Exploration and evaluation assets</b> (Note 7)	<u>3,234,438</u>	<u>4,157,244</u>
	<u>\$ 3,528,576</u>	<u>\$ 4,341,949</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	<u>\$ 3,779,869</u>	<u>\$ 3,305,620</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 9)	83,632,678	83,592,678
Reserves (Note 9)	16,749,754	16,749,754
Deficit	<u>(100,633,725)</u>	<u>(99,306,103)</u>
	<u>(251,293)</u>	<u>1,036,329</u>
	<u>\$ 3,528,576</u>	<u>\$ 4,341,949</u>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 12)

**Subsequent event** (Note 16)

**Approved and authorized on behalf of the Board on June 28, 2016:**

\_\_\_\_\_  
"Victor Tanaka" Director      \_\_\_\_\_  
"Ken Armstrong" Director

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
YEARS ENDED

	February 29, 2016	February 28, 2015
<b>EXPENSES</b>		
Administration (Note 10)	\$ 22,000	\$ 33,000
Amortization (Note 6)	2,849	3,484
Directors' fees (Note 10)	37,500	43,750
Investor relations	42,000	12,000
Management fees (Note 10)	120,000	120,000
Office and miscellaneous	27,944	33,411
Professional fees (Note 10)	74,711	93,399
Rent (Note 10)	528	33,666
Shareholder communication	28,003	25,996
Transfer agent and filing fees	19,437	24,268
Travel and related costs	773	934
	<u>(375,745)</u>	<u>(423,908)</u>
<b>Loss from operations</b>		
Foreign exchange loss	(215,264)	(264,654)
Interest expense	(258,619)	(222,233)
Gain on sale of exploration and evaluation assets (Note 7)	348,622	-
Write-down of exploration and evaluation assets (Note 7)	(922,806)	(4,013,143)
Gain on forgiveness of debt	68,015	-
Unrealized gain (loss) on marketable securities (Note 4)	28,175	(17,797)
	<u>(951,877)</u>	<u>(4,517,827)</u>
<b>Loss and comprehensive loss for the year</b>	<u>\$ (1,327,622)</u>	<u>\$ (4,941,735)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.04)</u>	<u>\$ (0.20)</u>
<b>Weighted average number of common shares outstanding</b>	<u>30,072,881</u>	<u>25,022,343</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
YEARS ENDED

	February 29, 2016	February 28, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (1,327,622)	\$ (4,941,735)
Items not affecting cash:		
Amortization	2,849	3,484
Accrued interest expense	258,619	222,233
Unrealized loss (gain) on marketable securities	(28,175)	17,797
Gain on sale of exploration and evaluation assets	(68,015)	-
Gain on forgiveness of debt	(348,622)	-
Write-down of exploration and evaluation assets	922,806	4,013,143
Changes in non-cash working capital items:		
Increase in receivables	(5,286)	(880)
Decrease (increase) in prepaids and deposits	29,902	(25,379)
Increase in accounts payable and accrued liabilities	<u>283,645</u>	<u>429,960</u>
Net cash used in operating activities	<u>(279,899)</u>	<u>(281,377)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Exploration and evaluation asset recoveries and proceeds on sale	<u>388,622</u>	<u>-</u>
Net cash provided by investing activity	<u>388,622</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	-	237,000
Finder's fee	<u>-</u>	<u>(5,460)</u>
Net cash provided by financing activities	<u>-</u>	<u>231,540</u>
<b>Change in cash during the year</b>	108,723	(49,837)
<b>Cash, beginning of year</b>	<u>96,638</u>	<u>146,475</u>
<b>Cash, end of year</b>	<u>\$ 205,361</u>	<u>\$ 96,638</u>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock Amount	Reserves	Deficit	Total
<b>Balance, February 28, 2014</b>	23,899,548	\$ 83,356,069	\$ 16,747,323	\$ (94,364,368)	\$ 5,739,024
Private placements	4,740,000	237,000	-	-	237,000
Finder's fees	-	(7,891)	2,431	-	(5,460)
Warrants exercised	100,000	7,500	-	-	7,500
Loss for the year	-	-	-	(4,941,735)	(4,941,735)
<b>Balance, February 28, 2015</b>	28,739,548	83,592,678	16,749,754	(99,306,103)	1,036,329
Shares issued for exploration and evaluation asset	2,000,000	40,000	-	-	40,000
Loss for the year	-	-	-	(1,327,622)	(1,327,622)
<b>Balance, February 29, 2016</b>	30,739,548	\$ 83,632,678	\$ 16,749,754	\$ (100,633,725)	\$ (251,293)

The accompanying notes are an integral part of these consolidated financial statements.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Bayswater Uranium Corporation (incorporated under the laws of the Province of British Columbia) and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the acquisition and exploration of exploration and evaluation assets and have not yet determined whether these assets contain economically recoverable reserves. To date, the Company has not earned significant revenues.

The Company’s principal address is suite 545 – 999 Canada Place, Vancouver, BC, V6C 3E1 and its registered and records office is 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs. The Company has not met certain funding obligations with respect to the Reno Creek Property which has resulted in the dilution of the Company’s ownership interest (Note 7).

The financing activities may include issuances of additional debt or equity securities or disposal of interests in exploration and evaluation assets in order to re-invest the proceeds. Subsequent to February 29, 2016, the Company transferred a portion of its ownership interest in the Reno Creek property to settle payables of \$2,219,335 (US\$1,639,737) (Notes 7 and 16). The recoverability of the carrying value and maintenance of ownership interests on exploration projects, and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the assets, future profitable production or, alternatively, upon the Company’s ability to dispose of its assets on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

In accordance with the TSX Venture Policy 2.5, the Company no longer meets Tier 1 requirements. As a result, effective October 29, 2015, the Company’s classification changed from Tier 1 to Tier 2.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These consolidated financial statements were authorized for issue on June 28, 2016 by the directors of the Company.

**Basis of consolidation and presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These consolidated financial statements

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Basis of consolidation and presentation (cont'd)**

include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The Company's wholly-owned subsidiaries are as follows:

Bayswater Holdings Inc. (incorporated in British Columbia)  
NCU Holdings Inc. (incorporated in British Columbia)  
Kilgore Gold Company (incorporated in the United States of America)  
NCA Nuclear Inc. (incorporated in the United States of America)

**Basis of preparation**

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent 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"). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Significant accounting judgments, estimates and assumptions**

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

Areas requiring a significant degree of estimation and judgment relate to, but are not limited to:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The inputs used in calculating the fair value for stock-based compensation expense included in profit or loss and stock-based share issuance costs included in shareholders' equity (deficiency). The stock-based compensation expense is estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.
- iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the good or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.



**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Significant accounting judgments, estimates and assumptions (cont'd)**

- iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

**Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar for the Company and its subsidiaries. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a currency other than the Canadian dollar are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss in the period in which they arise.

**Exploration and evaluation expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Stock-based compensation**

The Company operates an incentive stock option plan. Stock-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based compensation to non-employees is 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 is recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of reserves are transferred to capital stock.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

**Financial instruments**

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Loans and receivables* – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

*Available-for-sale* – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Financial instruments (cont'd)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* – This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

*Other financial liabilities* – This category includes promissory notes, amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and marketable securities as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the 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.

See Note 14 for relevant disclosures.

**Equipment**

Equipment is recorded at cost, net of accumulated amortization. Amortization is calculated on an annual basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	30% declining balance

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Impairment of assets**

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

**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, in the countries where the Company operates and generates taxable income.

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 tax:

Deferred tax is provided using the statement of financial position liability 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 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 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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Income taxes (cont'd)**

Deferred tax: (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, the income taxes relate to the same taxable entity and the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis.

**Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets, when those obligations result from the acquisition, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

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**3. ACCOUNTING STANDARDS NOT YET EFFECTIVE**

The Company has not early adopted these standards, which are effective for annual periods beginning on or after March 1, 2016, and is assessing the impact that these standards will have on its financial statements:

- a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);
- b) IFRS 15 Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15);  
and
- c) IFRS 16 Leases (new)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

**4. MARKETABLE SECURITIES**

As at February 29, 2016, marketable securities consist of shares in publicly-traded companies with an initial cost of \$207,060 (2015 - \$207,060) and a fair value of \$49,726 (2015 - \$21,551). An unrealized gain on marketable securities of \$28,175 (2015 – loss \$17,797) was recorded in the statement of loss and comprehensive loss for the year ended February 29, 2016.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**5. RECEIVABLES**

The Company's receivables consist of the following:

	February 29, 2016	February 28, 2015
GST receivable	\$ 8,957	\$ 4,125
Other	<u>964</u>	<u>510</u>
<b>Total</b>	<b>\$ 9,921</b>	<b>\$ 4,635</b>

**6. EQUIPMENT**

	Furniture and fixtures	Computer equipment	Exploration equipment	Total
<b>Cost</b>				
Balance, February 28, 2014, 2015, and February 29, 2016	\$ 9,536	\$ 84,520	\$ 24,436	\$ 118,492
<b>Accumulated amortization</b>				
Balance, February 28, 2014	\$ 8,971	\$ 75,526	\$ 18,163	\$ 102,660
Amortization	<u>105</u>	<u>2,216</u>	<u>1,163</u>	<u>3,484</u>
Balance, February 28, 2015	9,076	77,742	19,326	106,144
Amortization	<u>85</u>	<u>1,816</u>	<u>948</u>	<u>2,849</u>
Balance, February 29, 2016	\$ 9,161	\$ 79,558	\$ 20,274	\$ 108,993
<b>Carrying amounts</b>				
As at February 28, 2015	\$ 460	\$ 6,778	\$ 5,110	\$ 12,348
As at February 29, 2016	\$ 375	\$ 4,962	\$ 4,162	\$ 9,499

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**7. EXPLORATION AND EVALUATION ASSETS**

<b>Year Ended February 29, 2016</b>	Collins Bay Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 1	\$ 2,937,632	\$ 2,937,633
Impairment	<u>-</u>	<u>(922,806)</u>	<u>(922,806)</u>
Balance, end of year	<u>1</u>	<u>2,014,826</u>	<u>2,014,827</u>
<b>Deferred exploration costs</b>			
Balance, beginning and end of year	<u>-</u>	<u>1,219,611</u>	<u>1,219,611</u>
<b>Total, end of year</b>	<b>\$ 1</b>	<b>\$ 3,234,437</b>	<b>\$ 3,234,438</b>

<b>Year Ended February 28, 2015</b>	Collins Bay Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 1	\$ 6,950,775	\$ 6,950,776
Impairment	<u>-</u>	<u>(4,013,143)</u>	<u>(4,013,143)</u>
Balance, end of year	<u>1</u>	<u>2,937,632</u>	<u>2,937,633</u>
<b>Deferred exploration costs</b>			
Balance, beginning and end of year	<u>-</u>	<u>1,219,611</u>	<u>1,219,611</u>
<b>Total, end of year</b>	<b>\$ 1</b>	<b>\$ 4,157,243</b>	<b>\$ 4,157,244</b>



**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

*Uranium properties*

**Investment in Reno Creek Property**

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp., and American Uranium Corp. ("American"), for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property").

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUCLLC ("AUC"), a limited liability company, in consideration for the aggregate payment of US\$20,000,000 (\$20,026,000) to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at \$2,502,150. In consideration for a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$1,000,000 and issued 1,833,455 common shares of the Company valued at US\$1,000,000 (\$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into Reno Creek Holdings Inc. ("RCHI") (formerly 514565 Canada Inc. and formerly referred to as "Newco") which holds the Property indirectly through AUC LLC. PRRF initially held a 76.92% interest in RCHI and the Company initially held a 23.08% interest in RCHI. The Company's cost of its 23.08% interest totaled \$8,250,678, which included an establishment fee of US\$700,000, (originally payable on or before December 1, 2010, and subsequently amended to be paid upon, or prior to, the next capital contribution to RCHI by the Company, and bearing interest at the rate of prime plus 15% per annum) and a finder's fee of US\$1,000,000, both payable in conjunction with this investment agreement. The Company and PRRF entered into a shareholders' agreement in respect of RCHI which permitted the Company to contribute additional amounts to RCHI in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in RCHI into common shares of the Company at any time up to six months following the latter of completion of a feasibility study and mine permitting but, in any event, PRRF shall convert its investment not later than five years from April 7, 2010, provided certain conditions are met. Upon conversion of PRRF's investment, the Company would own a 100% interest in RCHI which indirectly holds the Reno Creek Property. The shareholders' agreement also provided for equal representation on the board of RCHI, subject to adjustment, as well as unanimous RCHI shareholder approval for certain key decisions including annual work program and budgets for the Property.

The Company was to contribute additional amounts in stages totaling US\$14,000,000 to earn a 50% interest in RCHI and in order to complete a feasibility study and to secure mining permits.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Investment in Reno Creek Property** (cont'd...)

Pursuant to the investment agreement and shareholders agreement dated April 7, 2010 (the "Agreements") involving PRRF, the Company was obliged to fund RCHI with US\$7,000,000 and pay certain fees to PRRF on or before December 1, 2010. Such funding and payment of fees did not occur. On January 5, 2011, PRRF and the Company entered into an amending agreement in respect of the Agreements whereby PRRF funded the first quarter of the 2011 RCHI budget in the amount of US\$1,750,000 and, as a result, the interest held by the Company in RCHI was reduced to 21.29% from 23.08% with a maximum interest the Company could earn in RCHI having been reduced from 50.0% to 45.13%. As a result of this reduction in the Company's maximum earnable interest, PRRF obtained control of the project. On January 31, 2012, the remaining balance of the 2011 AUC budget, being US\$5,250,000 plus certain fees (and accrued interest thereon), was due before March 1, 2011. The Company was unable to secure such funding before March 1, 2011. As a result, PRRF funded the balance of \$5,250,000 and, as of March 1, 2011, the interest held by the Company in RCHI was reduced to 17.27% from 21.29% with a maximum interest the Company could then earn in RCHI having been reduced from 45.13% to 31.14%. The Company would have been able to increase its interest in RCHI to the maximum level of 31.14% by contributing US\$7,000,000 to RCHI and by paying certain fees and interest charges to PRRF on or before the time of the setting of the next Reno Creek budget, which was December 7, 2011.

A budget in the amount of US\$8,000,000 for the calendar 2012 Reno Creek Program was approved by PRRF and the Company on December 7<sup>th</sup>, 2011. On January 31, 2012, PRRF and the Company finalized a second amendment agreement whereby PRRF funded the entire US\$8,000,000 for the 2012 Reno Creek program and, as a result, the interest held by the Company in RCHI was reduced to 13.47% from 17.27% with a maximum interest the Company could then earn in RCHI having been reduced from 31.14% to 13.47%.

On March 7, 2013, PRRF completed a further US\$2,500,000 investment in RCHI. This financing was the first part of a US\$5,500,000 new investment in RCHI which, together with cash on hand at March 7, 2013, would finance the US\$7,500,000 2013 Reno Creek work program budget. As a result, the interest held by Bayswater in the Company was reduced to 12.73% from 13.47% with a maximum interest that Bayswater could then earn in the Company having been reduced from 13.47% to 12.73%.

During June, 2013, PRRF completed a further US\$3,105,000 investment in RCHI. The proceeds from this financing was used by AUC to fund AUC's acquisition of the AUC corporate 5% gross production royalty obligation to Strathmore for US\$3,000,000 plus certain fees totaling US\$105,000. Following the purchase of the royalty by AUC, the royalty was cancelled. As a result, the interest held by Bayswater in RCHI was reduced to 11.76% from 12.73% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 12.73% to 11.76%.

During August, 2013, PRRF completed a further US\$3,000,000 investment in RCHI. This financing was the second of two parts of a total US\$5,500,000 (as discussed above). As a result, the interest held by Bayswater in RCHI was reduced to 11.09% from 11.76% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.76% to 11.09%.

During March 2014, the Company pledged 20.8% of its then 11.09% interest in the Reno Creek Property as security on a balance of \$1,457,243 owing to the manager of the PRRF.

During December 2014, PRRF completed a further US\$3,250,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 10.40% from 11.09% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.09% to 10.40%.

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Investment in Reno Creek Property** (cont'd...)

Pursuant to, and in accordance with the terms of, the investment agreement dated April 7, 2010 between Bayswater and PRRF, (as amended), PRRF was entitled to exchange its shares in Reno Creek Holdings Inc. ("RCHI") for common shares of Bayswater within six months following the later of the completion of a feasibility study on the Reno Creek uranium project or receipt of all required permits for production, but in any event not later than within five years of closing (April 7, 2010) provided certain conditions were met.

The conditions to such exchange were not satisfied by April 7, 2015 and, accordingly, PRRF's interest in RCHI was not exchanged for common shares of Bayswater. As a result, PRRF no longer has the right or obligation to convert its RCHI shares into shares of Bayswater.

During January 2016, PRRF completed a further US\$3,350,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 9.50% from 10.40% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 10.40% to 9.50%.

During the year ended February 29, 2016, the Company wrote down its investment in the Reno Creek property by \$922,806 (2015 - \$4,013,143) to better reflect its estimated recoverable amount with respect to market conditions existing at the time of the write down.

Subsequent to February 29, 2016, the Company transferred ownership of 4,047,321 of its 6,000,000 shares to PRRF as settlement in full of all amounts owing to PRRF and to the manager of PRRF. As at February 29, 2016, the Company recognized payables of \$2,219,335 (US\$1,639,737) owing to PRRF (2015 - \$1,799,690 (US\$1,440,328)). As a result, the interest held by Bayswater in RCHI was reduced to 3.09% from 9.50% with a maximum interest that Bayswater can earn in RCHI having been reduced from 9.50% to 3.09%.

**Collins Bay Extension and Brudell Property, Saskatchewan**

The Company holds an undivided 100% interest in certain mineral claim blocks in northern Saskatchewan (the "Collins Bay Extension").

During the year ended February 28, 2010, the Company entered into an agreement with CanAlaska Uranium Ltd. ("CanAlaska"), whereby CanAlaska has an option to earn a 51% interest in the Collins Bay Extension property in the Athabasca Basin by spending \$4,000,000 in exploration over five years and by issuing 50,000 shares (20,000 received to date) to the Company. CanAlaska also has an option to increase its interest to 70% by spending an additional \$2,000,000 in exploration over a further three year period and by issuing an additional 80,000 shares to the Company.

During the year ended February 29, 2012, the Company wrote-down the property by \$3,902,235 to \$1 as a result of market conditions but the agreement with CanAlaska remains in good standing.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Collins Bay Extension and Brudell Property, Saskatchewan (cont'd...)**

During the year ended February 29, 2016, the Company completed the sale of its CBE property to Nu Nova Energy Ltd. ("Nu Nova"), a private British Columbia company, for gross proceeds totaling \$400,000. In conjunction with the sale, the Company incurred \$10,920 of legal fees and issued 2,000,000 common shares (valued at \$40,000) and a 2.5% net-smelter-return royalty to CanAlaska as an option agreement break fee. Nu Nova received the right of first refusal to purchase up to a 1.5% net-smelter-return royalty from CanAlaska for \$500,000 per 0.5% royalty after production is achieved.

The Company owns a 100% interest in the Brudell property, which remains in good standing.

**8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

	February 29, 2016	February 28, 2015
Trade payables (Note 10)	\$ 2,314,734	\$ 2,228,590
Accrued liabilities (Note 10)	<u>1,465,135</u>	<u>1,077,030</u>
<b>Total</b>	<b>\$ 3,779,869</b>	<b>\$ 3,305,620</b>

**9. CAPITAL STOCK AND RESERVES**

**Authorized capital stock**

As at February 29, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of Class A convertible preferred shares without par value.

**Share Issuance for exploration and evaluation asset**

During the year ended February 29, 2016, the Company issued 2,000,000 common shares to CanAlaska pursuant to an agreement to sell its CBE property (Note 7). The shares were valued at \$40,000.

**Private placements**

During the year ended February 28, 2015, the Company received \$57,000 pursuant to a non-brokered private placement of 1,140,000 units at a price of \$0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for two years at a price of \$0.10 per share. Total commissions paid consisted of \$5,460 cash and the issuance of 91,200 finder's fee warrants valued at \$2,431 using the black-scholes option pricing model with a volatility of 134%, an expected life of 2 years, a risk-free rate of 1.02%, a dividend rate of 0% and a forfeiture rate of 0%. The finder's warrants are subject to the same terms as the private placement warrants.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

**9. CAPITAL STOCK AND RESERVES (cont'd...)**

**Private placements (cont'd...)**

During the year ended February 28, 2015, the Company received \$180,000 pursuant to a non-brokered private placement of 3,600,000 units at a price of \$0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for two years at a price of \$0.10 per share.

**Exercise of warrants**

During the year ended February 28, 2014, the Company received \$7,500 pursuant to the exercise of 100,000 share purchase warrants. The 100,000 common shares were issued during the year ended February 28, 2015.

**Stock options**

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 10 years.

As at February 29, 2016, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price <sup>(1)</sup>	Expiry Date
1,753,250	\$ 0.10	April 29, 2017
<u>1,952,500</u>	0.10	February 3, 2018
<u>3,705,750</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2014	4,268,250	\$ 0.10
Cancelled/expired	<u>(362,500)</u>	0.10
Balance, February 28, 2015	3,905,750	0.10
Cancelled/terminated	<u>(200,000)</u>	0.10
<u>Balance, February 29, 2016</u>	<u>3,705,750</u>	<u>\$ 0.10</u>
<u>Number of options currently exercisable</u>	<u>3,705,750</u>	<u>\$ 0.10</u>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**9. CAPITAL STOCK AND RESERVES (cont'd...)**

**Warrants**

As at February 29, 2016, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
1,231,200	\$ 0.10	November 6, 2016
<u>3,600,000</u>	0.10	December 22, 2016
4,831,200		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 28, 2014	1,599,240	\$ 0.11
Issued	4,831,200	0.10
Exercised	(100,000)	0.075
Expired	<u>(269,240)</u>	0.25
As at February 28, 2015	6,061,200	0.095
Expired	<u>(1,230,000)</u>	0.075
As at February 29, 2016	4,831,200	\$ 0.10

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**10. RELATED PARTY TRANSACTIONS**

During the year ended February 29, 2016, the Company:

- a) Paid or accrued \$120,000 (2015 - \$120,000) for management fees to the current CEO of the Company.
- b) Paid or accrued \$22,000 (2015 - \$33,000) for administration fees, \$750 (2015 - \$9,000) for rent and \$34,000 (2015 - \$35,000) for professional fees to a company associated with two officers of the Company.
- c) Accrued \$37,500 (2015 - \$43,750) for director fees.

Included in accounts payable and accrued liabilities at February 29, 2016 is \$761,374 (February 28, 2015 - \$597,736) owing to a company controlled by the former CEO of the Company, to the current CEO of the Company, to directors of the Company and to a company controlled by an officer of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the years ended February 29, 2016 and February 28, 2015 are as follows:

	2016	2015
Administration fees	\$ 22,000	\$ 33,000
Directors' fees	37,500	43,750
Management fees	120,000	120,000
Professional fees	34,000	35,000
Rent	<u>750</u>	<u>9,000</u>
	<u>\$ 214,250</u>	<u>\$ 240,750</u>

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2016	2015
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The significant non-cash transaction during the year ended February 29, 2016 included the issuance of 2,000,000 common shares, valued at \$40,000, in conjunction with the sale of its CBE property (Note 7).

The significant non-cash transaction during the year ended February 28, 2015 included:

- a) the issuance of 91,200 finder's warrants valued at \$2,431, in conjunction with the non-brokered private placement;
- b) the settlement of \$7,500 included in accounts payable as a commitment to issue shares upon the issuance of 100,000 common shares; and
- c) The Company accruing \$1,530,638 of acquisition costs, including a foreign exchange fluctuation of \$166,845 over the prior fiscal year, related to the acquisition of the Reno Creek property in accounts payable and accrued liabilities.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**12. COMMITMENTS**

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of \$10,000 and \$5,733 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

**13. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	2016	2015
Loss for the year	\$ (1,327,623)	\$ (4,941,735)
Expected income tax (recovery)	\$ (345,000)	\$ (1,285,000)
Change in statutory, foreign tax and foreign exchange rates	34,000	20,000
Permanent difference	2,000	-
Change in unrecognized deductible temporary differences	<u>491,000</u>	<u>1,265,000</u>
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	2016	2015
Deferred Tax Assets (Liabilities):		
Exploration and evaluation assets	\$ 9,452,000	\$ 9,313,000
Property and equipment	34,000	36,000
Share issuance costs	2,000	2,000
Marketable securities	20,000	24,000
Allowable capital losses	236,000	236,000
Non-capital losses available for future period	<u>4,401,000</u>	<u>4,912,000</u>
Unrecognized deferred tax assets	\$ 14,145,000	\$ 14,523,000



**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

**13. INCOME TAXES (cont'd...)**

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2016	Expiry Date Range	2015
Temporary differences:			
Exploration and evaluation assets	\$ 33,629,000	No expiry date	\$ 33,095,000
Property and equipment	131,000	No expiry date	150,000
Marketable securities	157,000	No expiry date	140,000
Share issue costs	6,000	2034 - 2037	9,000
Allowable capital losses	909,000	No expiry date	909,000
Investment tax credits	150,000	2020 - 2032	186,000
Non-capital losses available for future period	16,401,000	2016 - 2036	18,390,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

The Company's receivables consist mainly of GST receivable due from the government of Canada (Note 5).

*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 liquidity risk through its capital management as outlined below. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at February 29, 2016 of \$3,502,092. Included in accounts payable and accrued liabilities are finder's and establishment fees (and accrued interest thereon) totaling \$2,929,907 (US\$2,164,737) associated with the acquisition of the Reno Creek Property (Note 7).

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars)  
YEAR ENDED FEBRUARY 29, 2016

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**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is minimal because these investments roll over daily.

b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 29, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	6,290
Reclamation bonds	5,070
Accounts payable and accrued liabilities	(2,164,737)
Net exposure	(2,153,377)

Based on the above net exposure as at February 29, 2016, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by \$215,338.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**YEAR ENDED FEBRUARY 29, 2016**

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its resource properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of resource property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**15. SEGMENTED INFORMATION**

The primary business of the Company is the acquisition and exploration of resource properties.

Geographic information is as follows:

	February 29, 2016	February 28, 2015
<b>Capital assets</b>		
Canada	\$ 2,113	\$ 2,858
United States	3,248,686	4,173,596
	<u>\$ 3,250,799</u>	<u>\$ 4,176,454</u>

**16. SUBSEQUENT EVENT**

Subsequent to February 29, 2016, the Company announced that Pacific Road Resources Funds ("PRRF"), Pacific Road Capital Management Pty Ltd. ("PRCM") and the Company agreed to a settlement of all outstanding indebtedness of the Company owed to PRRF and PRCM, under the investment agreement dated April 7, 2010, as amended, between the Company, its subsidiary, Bayswater Holdings Inc. ("BHI") and PRRF and the shareholders agreement dated April 7, 2010, as amended (the "Shareholders Agreement"), between the Company, BHI, PRRF and Reno Creek Holdings Inc. ("RCHI") which indirectly owns the Reno Creek uranium project ("the Project") located in the Powder River Basin of Wyoming, USA.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 of its 6,000,000 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of all amounts owing to PRRF. As at February 29, 2016, the Company recognized payables of \$2,219,335 (US\$1,639,737) owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement.

As a result of the debt settlement, PRRF's interest in Reno Creek increased to 96.91% and the Company's interest decreased to 3.09%.

**BAYSWATER URANIUM CORPORATION**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**NINE MONTHS ENDED NOVEMBER 30, 2017**

**These unaudited condensed consolidated interim financial statements of Bayswater Uranium Corporation for the nine months ended November 30, 2017 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.**

**BAYSWATER URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)  
(Expressed in Canadian Dollars)  
AS AT

	November 30, 2017	February 28, 2017 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 29,323	\$ 130,900
Marketable securities (Note 4)	993,736	48,625
Receivables (Note 5)	19,793	21,816
Prepays and deposits	<u>4,107</u>	<u>1,415</u>
	1,046,959	202,756
<b>Equipment</b> (Note 6)	1,221	7,329
<b>Reclamation bonds</b>	-	6,862
<b>Exploration and evaluation assets</b> (Note 7)	<u>1</u>	<u>957,157</u>
	\$ 1,048,181	\$ 1,174,104

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	<u>\$ 1,634,920</u>	<u>\$ 1,631,332</u>
<b>Shareholders' equity (deficiency)</b>		
Capital stock (Note 9)	83,632,678	83,632,678
Reserves (Note 9)	16,749,754	16,749,754
Deficit	<u>(100,969,171)</u>	<u>(100,839,660)</u>
	<u>(586,739)</u>	<u>(457,228)</u>
	\$ 1,048,181	\$ 1,174,104

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 12)

**Significant transaction** (Note 7)

**Approved and authorized on behalf of the Board on January 29, 2018:**

\_\_\_\_\_  
"Victor Tanaka" Director      \_\_\_\_\_  
"Ken Armstrong" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016	Nine Months Ended November 30, 2017	Nine Months Ended November 30, 2016
<b>EXPENSES</b>				
Administration (Note 10)	\$ 5,250	\$ 5,250	\$ 15,750	\$ 15,750
Amortization (Note 6)	114	533	6,108	1,691
Directors' fees (Note 10)	4,687	4,688	14,062	14,063
Management fees (Note 10)	15,000	15,000	45,000	45,000
Office and miscellaneous	4,642	3,128	11,077	9,589
Professional fees (Note 10)	9,500	10,950	47,782	52,960
Shareholder communication	3,375	5,739	10,669	12,486
Transfer agent and filing fees	5,377	2,330	11,804	8,648
<b>Loss from operations</b>	<b>(47,945)</b>	<b>(47,615)</b>	<b>(162,252)</b>	<b>(160,187)</b>
<b>OTHER ITEMS</b>				
Foreign exchange gain (loss)	(16,013)	(16,695)	8,734	111,089
Write-down of exploration and evaluation asset (Note 7)	-	-	-	(140,837)
Gain on sale of exploration and evaluation asset (Note 7)	986	-	15,103	-
Realized gain on marketable securities (Note 4)	-	-	-	49,594
Unrealized gain (loss) on marketable securities (Note 4)	4,079	(33,875)	8,904	(465)
	<b>(10,948)</b>	<b>(50,570)</b>	<b>32,741</b>	<b>19,381</b>
<b>Income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (58,893)</b>	<b>\$ (98,185)</b>	<b>\$ (129,511)</b>	<b>\$ (140,806)</b>
<b>Basic and diluted earnings (loss) per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>30,739,548</b>	<b>30,739,548</b>	<b>30,739,548</b>	<b>30,739,548</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BAYSWATER URANIUM CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
Nine Months ended November 30,

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (129,511)	\$ (140,806)
Items not affecting cash:		
Amortization	6,108	1,691
Realized gain on marketable securities	-	(49,594)
Unrealized (gain) loss on marketable securities	(8,904)	465
Write-down of exploration and evaluation asset	-	140,837
Gain on sale of exploration and evaluation asset	(15,103)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	2,023	(10,343)
Decrease in prepaids and deposits	(2,692)	8,336
Increase (decrease) in accounts payable and accrued liabilities	<u>11,606</u>	<u>(66,201)</u>
Net cash used in operating activities	<u>(136,473)</u>	<u>(115,615)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from sale of exploration and evaluation asset (Note 7)	34,896	-
Proceeds from sale of marketable securities	<u>-</u>	<u>66,292</u>
Net cash provided by financing activity	<u>34,896</u>	<u>66,292</u>
<b>Change in cash</b>	(101,577)	(49,323)
<b>Cash, beginning of period</b>	<u>130,900</u>	<u>205,361</u>
<b>Cash, end of period</b>	<u>\$ 29,323</u>	<u>\$ 156,038</u>

**Supplemental disclosure with respect to cash flows (Note 11)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



**BAYSWATER URANIUM CORPORATION****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Unaudited)

(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock Amount	Reserves	Deficit	Total
<b>Balance, February 29, 2016</b>	28,739,548	\$ 83,592,678	\$ 16,749,754	\$ (100,663,052)	\$ 1,036,329
Loss for the period	-	-	-	(140,806)	(140,806)
<b>Balance, November 30, 2016</b>	28,739,548	\$ 83,592,678	\$ 16,749,754	\$ (100,774,531)	\$ (392,099)
<b>Balance, February 28, 2017</b>	30,739,548	\$ 83,632,678	\$ 16,749,754	\$ (100,839,660)	\$ (457,228)
Loss for the period	-	-	-	(129,511)	(129,511)
<b>Balance, November 30, 2017</b>	30,739,548	\$ 83,632,678	\$ 16,749,754	\$ (101,969,171)	\$ (589,739)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
NINE MONTHS ENDED NOVEMBER 30, 2017

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Bayswater Uranium Corporation (incorporated under the laws of the Province of British Columbia) and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the acquisition and exploration of exploration and evaluation assets and have not yet determined whether these assets contain economically recoverable reserves. To date, the Company has not earned significant revenues.

The Company’s principal address is suite 545 – 999 Canada Place, Vancouver, BC, V6C 3E1 and its registered and records office is 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

These unaudited condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs.

The Company’s financing activities may include issuances of additional debt or equity securities or disposal of interests in exploration and evaluation assets in order to re-invest the proceeds. During the year ended February 28, 2017, the Company transferred a portion of its ownership interest in the Reno Creek property to settle payables of \$2,219,335 (US\$1,639,737) (Note 7). During August 2017, the Company sold its interest in the Reno Creek property (Note 7). The recoverability of the carrying value and maintenance of ownership interests on exploration projects, and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the assets, future profitable production or, alternatively, upon the Company’s ability to dispose of its assets on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These unaudited condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company’s listing was transferred from the TSX Venture Exchange (“TSX-V”) to the NEX on September 12, 2017 and now trades under the symbol BYU.H.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These consolidated financial statements were authorized for issue on January 29, 2018 by the directors of the Company.

**Basis of consolidation and presentation**

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
NINE MONTHS ENDED NOVEMBER 30, 2017

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)**

**Basis of consolidation and presentation (cont'd)**

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The Company's wholly-owned subsidiaries are as follows:

- Bayswater Holdings Inc. (incorporated in British Columbia)
- NCU Holdings Inc. (incorporated in British Columbia)
- Kilgore Gold Company (incorporated in the United States of America)
- NCA Nuclear Inc. (incorporated in the United States of America)

**Basis of preparation**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended February 28, 2017.

**3. ACCOUNTING STANDARDS NOT YET EFFECTIVE**

The Company has not early adopted these standards, which are effective for annual periods beginning on or after March 1, 2017, and is assessing the impact that these standards will have on its financial statements:

- a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);
- b) IFRS 15 Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15);  
and
- c) IFRS 16 Leases (new)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NINE MONTHS ENDED NOVEMBER 30, 2017**

**4. MARKETABLE SECURITIES**

As at November 30, 2017, marketable securities consist of shares and warrants in publicly-traded companies with an initial cost of \$877,767 (February 28, 2017 - \$207,060) and a fair value of \$993,736 (February 28, 2017 - \$48,625). An unrealized gain on marketable securities of \$8,904 (2016 – \$465, loss) was recorded in the statement of loss and comprehensive loss for the nine months ended November 30, 2017. During the nine months ended November 30, 2017, the Company received certain marketable securities and warrants with a value of \$687,405 and \$256,818, respectively, in conjunction with the sale of its interest in the Reno Creek project (Note 7). The warrants were valued using the Black-Scholes pricing model using a volatility of 71.16%, a share price of US\$1.32, an expected life of 5 years and a discount rate of 0.85%.

**5. RECEIVABLES**

The Company's receivables consist of the following:

	November 30, 2017	February 28, 2017
GST receivable	\$ 19,785	\$ 8,957
Other (Note 10)	-	12,859
<b>Total</b>	<b>\$ 19,785</b>	<b>\$ 21,816</b>

**6. EQUIPMENT**

	Furniture and fixtures	Computer equipment	Exploration equipment	Total
<b>Cost</b>				
Balance, February 28, 2015, February 28, 2017 and November 30, 2017	\$ 9,536	\$ 84,520	\$ 24,436	\$ 118,492
<b>Accumulated amortization</b>				
Balance, February 28, 2017	\$ 9,230	\$ 80,887	\$ 21,046	\$ 111,163
Amortization	24	2,694	3,390	6,108
<b>Balance, November 30, 2017</b>	<b>\$ 9,254</b>	<b>\$ 83,581</b>	<b>\$ 24,436</b>	<b>\$ 117,271</b>
<b>Carrying amounts</b>				
As at February 28, 2017	\$ 306	\$ 3,633	\$ 3,390	\$ 7,329
As at November 30, 2017	\$ 282	\$ 939	\$ -	\$ 1,221

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NINE MONTHS ENDED NOVEMBER 30, 2017**

**7. EXPLORATION AND EVALUATION ASSETS**

<b>Nine Months Ended November 30, 2017</b>	Brudell Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of period	\$ 1	\$ 957,156	\$ 957,157
Sale of Reno Creek project	-	(957,156)	(957,156)
Balance, end of period	<u>1</u>	<u>-</u>	<u>1</u>
<b>Deferred exploration costs</b>			
Balance, beginning and end of period	-	-	-
<b>Total, end of period</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 1</b>

<b>Year Ended February 29, 2017</b>	Brudell Property, Saskatchewan	Reno Creek Project, Wyoming	Total
<b>Acquisition costs</b>			
Balance, beginning of year	\$ 1	\$ 2,014,826	\$ 2,014,827
Debt settlement with PRRF (Note 7)	-	(894,532)	(894,532)
Impairment	-	(163,138)	(163,138)
Balance, end of year	<u>1</u>	<u>957,156</u>	<u>957,157</u>
<b>Deferred exploration costs</b>			
Balance, beginning of year	-	1,219,611	1,219,611
Debt settlement with PRRF (Note 7)	-	(1,219,611)	(1,219,611)
Balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total, end of year</b>	<b>\$ 1</b>	<b>\$ 957,156</b>	<b>\$ 957,157</b>

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

*Uranium properties*

**Investment in Reno Creek Property**

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp., and American Uranium Corp. ("American"), for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property").

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC ("AUC"), a limited liability company, in consideration for the aggregate payment of US\$20,000,000 (\$20,026,000) to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at \$2,502,150. In consideration for a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$1,000,000 and issued 1,833,455 common shares of the Company valued at US\$1,000,000 (\$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into Reno Creek Holdings Inc. ("RCHI") (formerly 514565 Canada Inc. and formerly referred to as "Newco") which held the Property indirectly through AUC LLC. PRRF initially held a 76.92% interest in RCHI and the Company initially held a 23.08% interest in RCHI. The Company's cost of its 23.08% interest totaled \$8,250,678, which included an establishment fee of US\$700,000 and a finder's fee of US\$1,000,000.

Prior to the beginning of the year ended February 28, 2017, the Company's interest held in RCHI was reduced to 9.50% as a result of PRRF completing various investments in RCHI.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 of its 6,000,000 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of \$2,114,143 (US\$1,639,737) owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement. As a result of the debt settlement, the Company's interest decreased to 3.09% and was then reduced further to 2.73% as a result of PRRF's additional investment in RCHI during February 2017.

During the year ended February 28, 2017, the Company wrote down its investment in the Reno Creek property by \$163,138 (fiscal 2016 - \$922,806) to better reflect its estimated recoverable amount to be received on subsequent disposal of the investment.

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)  
NINE MONTHS ENDED NOVEMBER 30, 2017

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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

*Uranium properties* (cont'd...)

**Investment in Reno Creek Property** (cont'd...)

During the nine months ended November 30, 2017, PRRF entered into a definitive share purchase agreement with Uranium Energy Corp. ("UEC") (closed during August 2017) to sell all of PRRF's issued and outstanding shares of RCHI and, indirectly thereby, 100% of the fully permitted Reno Creek.

The Company owned a 2.73% interest in RCHI and received notice from PRRF whereby PRRF exercised certain drag-along rights requiring the Company to sell its 2.73% interest in RCHI to UEC for prorated consideration identical to the consideration being issued to PRRF.

Under the terms of the agreement, during August 2017, UEC issued to the Company, in return for the Company's 2.73% ownership interest in RCHI, the following:

- a) 409,170 common shares of UEC;
- b) 308,728 share purchase warrants of UEC, with each warrant entitling the holder to acquire one share of UEC at an exercise price of US\$2.30 per share for a period of five years from closing. The warrants will have an accelerator clause that provides that, in the event that the closing price of UEC's common shares on its principally traded exchange is equal to or greater than US\$4.00 per share for a period of twenty consecutive trading days, UEC may accelerate the expiry date of the warrants to within thirty days by providing written notice to the holders; and
- c) At the Company's election, the payment of US\$2,807 in lieu of a 0.01403% net profit interest royalty capped at US\$70,165.50.

In addition, the Company received a further cash payment of US\$24,630, representing the Company's entitlement to cash remaining in RCHI as at closing.

The warrants were valued using the Black-Scholes pricing model using a volatility of 71.16%, a share price of US\$1.32, an expected life of 5 years and a discount rate of 0.85%.

All securities issued to the Company are subject to a four-month hold period pursuant to applicable securities legislation, and UEC has agreed to register the UEC shares issuable with the U.S. Securities and Exchange Commission for resale in the United States.

**Collins Bay Extension and Brudell Property, Saskatchewan**

During the year ended February 29, 2016, the Company completed the sale of its CBE property to Nu Nova Energy Ltd. ("Nu Nova"), a private British Columbia company, for gross proceeds totaling \$400,000. In conjunction with the sale, the Company incurred \$10,920 of legal fees and issued 2,000,000 common shares (valued at \$40,000) and a 2.5% net-smelter-return royalty to CanAlaska as an option agreement break fee. Nu Nova received the right of first refusal to purchase up to a 1.5% net-smelter-return royalty from CanAlaska for \$500,000 per 0.5% royalty after production is achieved.

The Company owns a 100% interest in the Brudell property, which remains in good standing.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
NINE MONTHS ENDED NOVEMBER 30, 2017

**8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are comprised of the following:

	November 30, 2017	February 28, 2017
Trade payables (Note 10)	\$ 1,433,878	\$ 1,431,852
Accrued liabilities (Note 10)	<u>201,042</u>	<u>199,480</u>
<b>Total</b>	<b>\$ 1,634,920</b>	<b>\$ 1,631,332</b>

**9. CAPITAL STOCK AND RESERVES**

**Authorized capital stock**

As at November 30, 2017, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of Class A convertible preferred shares without par value.

**Share issuance for exploration and evaluation asset**

During the year ended February 29, 2016, the Company issued 2,000,000 common shares to CanAlaska pursuant to an agreement to sell its CBE property (Note 7). The shares were valued at \$40,000.

The Company did not issue any common shares during the year ended February 28, 2017 or during the nine months ended November 30, 2017.

**Stock options**

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 10 years.

As at November 30, 2017, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,952,500	0.10	February 3, 2018



**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NINE MONTHS ENDED NOVEMBER 30, 2017**

**9. CAPITAL STOCK AND RESERVES (cont'd...)**

**Stock options (cont'd...)**

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, February 29, 2016 and February 28, 2017	3,705,750	\$	0.10
Expired	<u>(1,753,250)</u>		0.10
Balance, November 30, 2017	1,952,500		0.10
<hr/>			
Number of options currently exercisable	1,952,500	\$	0.10

**Warrants**

As at November 30, 2017, the Company had no outstanding share purchase warrants.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
As at February 29, 2016	4,831,200		0.10
Expired	<u>(4,831,200)</u>		0.10
As at February 28, 2017 and November 30, 2017	-	\$	-

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NINE MONTHS ENDED NOVEMBER 30, 2017**

**10. RELATED PARTY TRANSACTIONS**

During the nine months ended November 30, 2017, the Company:

- a) Paid or accrued \$45,000 (2016 - \$45,000) for management fees to the current CEO of the Company.
- b) Paid or accrued \$15,750 (2016 - \$15,750) for administration fees and \$25,500 (2016 - \$25,500) for professional fees to a company associated with two officers of the Company.
- c) Accrued \$14,062 (2016 - \$14,063) for director fees.

Included in accounts payable and accrued liabilities at November 30, 2017 is \$911,686 (February 28, 2017 - \$806,753) owing to a company controlled by the former CEO of the Company, to the current CEO of the Company, to directors of the Company and to a company controlled by an officer of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the nine months ended November 30, 2017 and 2016 are as follows:

	2017	2016
Administration fees	\$ 15,750	\$ 15,750
Directors' fees	14,062	14,063
Management fees	45,000	45,000
Professional fees	<u>25,500</u>	<u>25,500</u>
	<u>\$ 100,312</u>	<u>\$ 100,313</u>

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2017	2016
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

There were no significant non-cash transactions during the nine months ended November 30, 2017.

During the nine months ended November 30, 2016, the Company transferred a portion of its ownership interest in the Reno Creek property to settle payables of \$2,114,143 (US\$1,639,737) (Note 7).

## **12. COMMITMENTS**

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of \$10,000 (amended to \$5,000 per month commencing March 1, 2016) and \$5,733 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

## **13. FINANCIAL AND CAPITAL RISK MANAGEMENT**

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts.

The Company's receivables consist mainly of GST receivable due from the government of Canada (Note 5).

### *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 liquidity risk through its capital management as outlined below. Accounts payable relating to exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at November 30, 2017 of \$587,961. Included in accounts payable and accrued liabilities are finder's and establishment fees (and accrued interest thereon) totaling \$676,240 (US\$525,000) (February 28, 2017 - \$693,142 (US\$525,000)) associated with the acquisition of the Reno Creek Property (Note 7).

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)  
NINE MONTHS ENDED NOVEMBER 30, 2017

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**13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is minimal because these investments roll over daily.

b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At November 30, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	2,248
Accounts payable and accrued liabilities	(525,000)
Net exposure	(522,752)

Based on the above net exposure as at November 30, 2017, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by approximately \$52,000.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**NINE MONTHS ENDED NOVEMBER 30, 2017**

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**13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its resource properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of resource property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**14. SEGMENTED INFORMATION**

The primary business of the Company is the acquisition and exploration of resource properties.

Geographic information is as follows:

	November 30, 2017	February 28, 2017
<b>Non-current assets</b>		
Canada	\$ 1,221	\$ 1,562
United States	-	969,786
	\$ 1,221	\$ 971,348

**SCHEDULE "B"**  
**CONSOLIDATED ANNUAL AND INTERIM FINANCIAL STATEMENTS OF VCP23, LLC**

*(See attached)*

**GREEN THUMB INDUSTRIES (GTI)  
GROUP OF COMPANIES**

**COMBINED UNAUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTHS ENDED  
MARCH 31, 2018 AND 2017**

*(Expressed in United States Dollars)*

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Index to Combined Unaudited Financial Statements**

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	<u>Page(s)</u>
<b>COMBINED UNAUDITED FINANCIAL STATEMENTS:</b>	
Combined Statements of Financial Position .....	2
Combined Statements of Operations .....	3
Combined Statements of Changes in Members' Equity .....	4
Combined Statements of Cash Flows .....	5
Notes to Combined Unaudited Financial Statements .....	7

The accompanying notes are an integral part of these combined financial statements



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Financial Position**  
**At March 31, 2018 and 2017**

		<b>March 31,</b> <b>2018</b>	<b>December 31,</b> <b>2017</b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents		\$ 18,920,337	\$ 29,565,497
Investments		20,000,000	-
Accounts Receivable		2,156,322	892,373
Members Contribution Receivable	<i>Note 10</i>	1,001,000	2,785,998
Due from Related Parties	<i>Note 13</i>	2,141,007	1,188,686
Inventories	<i>Note 3</i>	5,156,798	2,689,762
Biological Assets	<i>Note 4</i>	500,204	2,117,131
Prepaid Expenses and Other Current Assets		<u>644,668</u>	<u>550,389</u>
Total Current Assets		50,520,336	39,789,836
Property and Equipment, Net	<i>Note 5</i>	38,086,813	31,558,357
Intangible Assets, Net	<i>Note 7</i>	14,168,434	14,161,995
Goodwill		188,260	188,260
Deposits and Other Assets		<u>1,765,520</u>	<u>1,458,833</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 104,729,363</u></b>	<b><u>\$ 87,157,281</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable		\$ 3,174,809	\$ 4,044,760
Accrued Liabilities		1,924,215	880,771
Current Portion of Notes Payable	<i>Note 8</i>	8,899,261	8,861,376
Income Tax Payable	<i>Note 2</i>	718,000	214,000
Distributions Payable to Members		<u>279,750</u>	<u>279,750</u>
Total Current Liabilities		14,996,035	14,280,657
Long-Term Liabilities:			
Deferred Rent		344,888	301,105
Deferred Income Taxes		145,000	-
Notes Payable, Net of Current Portion	<i>Note 8</i>	<u>7,666,727</u>	<u>7,206,673</u>
<b>TOTAL LIABILITIES</b>		23,152,650	21,788,435
<b>MEMBERS' EQUITY OF GTI GROUP OF COMPANIES</b>	<i>Note 10</i>	76,996,926	62,002,496
<b>NON-CONTROLLING INTEREST</b>	<i>Note 11</i>	<u>4,579,787</u>	<u>3,366,350</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>		<b><u>\$ 104,729,363</u></b>	<b><u>\$ 87,157,281</u></b>

Nature of Operations (*Note 1*)

Commitments and Contingencies (*Note 12*)

Subsequent Events (*Note 15*)

Approved and authorized by the Board of Directors on June 7, 2018

Chief Executive Officer

Chief Financial Officer

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Operations**  
**For the Three Months Ended March 31 2018 and 2017**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues, net of discounts	\$ 10,925,898	\$ 3,018,649
Cost of Goods Sold net of Fair Value Biological Asset Adjustment	<u>(6,212,963)</u>	<u>(1,946,738)</u>
Gross Profit before Biological Asset Adjustment	<u>4,712,935</u>	<u>1,071,911</u>
Unrealized Gain on Biological Asset Transformation	1,831,219	3,243,595
Cost of Goods Sold on Biological Asset Transformation	<u>(1,680,174)</u>	<u>(1,397,634)</u>
Subtotal	<u>151,045</u>	<u>1,845,961</u>
Gross Profit	4,863,980	2,917,872
<b>Expenses:</b>		
General and Administrative	5,851,896	2,129,751
Sales and Marketing	170,113	41,346
Depreciation and Amortization	<u>233,629</u>	<u>24,111</u>
<b>Total Expenses</b>	<u>6,255,638</u>	<u>2,195,208</u>
<b>(Loss) Income From Operations</b>	<u>(1,391,658)</u>	<u>722,664</u>
<b>Other Income (Expense):</b>		
Other Income (Expense), net	233,344	516,441
Interest Income	600,000	-
Interest Expense	<u>(371,105)</u>	<u>(21,549)</u>
<b>Total Other Income</b>	<u>462,239</u>	<u>494,892</u>
<b>Loss Before Provision for Income Taxes And Non-Controlling Interest</b>	<u>(929,419)</u>	<u>1,217,556</u>
<b>Provision For Income Taxes</b>		
Currently Payable	504,000	-
Deferred Tax Benefit	<u>(469,000)</u>	<u>-</u>
<b>Total Provision For Income Taxes</b>	<u>35,000</u>	<u>-</u>
<b>Net (Loss) Income Before Non-Controlling Interest</b>	(964,419)	1,217,556
<b>Net Income Attributable To Non-Controlling Interest</b>	<u>616,550</u>	<u>-</u>
<b>Net Loss Attributable To GTI Group of Companies</b>	<u>\$ (1,580,969)</u>	<u>\$ 1,217,556</u>

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Changes in Members' Equity**  
**For the Three Months Ended March 31, 2018 and 2017**

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	<u>Members'</u> <u>Equity</u>	<u>Non-Controlling</u> <u>Interest</u>	<u>Total</u>
<b>Balance, January 1, 2018</b>	\$ 62,002,496	\$ 3,366,350	\$ 65,368,846
Deferred Tax Liability from Reorganization	(614,000)	-	(614,000)
Net loss (income)	(1,580,969)	616,550	(964,419)
Contributions from members	22,829,399	638,887	23,468,286
Distributions to members	<u>(5,640,000)</u>	<u>(42,000)</u>	<u>(5,682,000)</u>
<b>Balance, March 31, 2018</b>	<u>\$ 76,996,926</u>	<u>\$ 4,579,787</u>	<u>\$ 81,576,713</u>

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Cash Flows**  
**For the Three Months Ended March 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss attributable to GTI Group of Companies	\$ (1,580,969)	\$ 1,217,556
Net income attributable to non-controlling interest	616,550	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred income taxes	(469,000)	-
Depreciation and amortization	344,305	136,933
Loss on disposal of property and equipment	49,622	-
Income from joint venture		(17,500)
Deferred rent	43,783	28,186
Changes in operating assets and liabilities:		
Accounts receivable	(1,263,949)	(465,156)
Biological assets	1,616,927	(189,851)
Inventory	(2,467,036)	(1,629,559)
Prepaid expenses and other current assets	(94,279)	24,936
Deposits and other assets	138,344	(265,173)
Accounts payable	(869,951)	315,420
Accrued liabilities	1,043,444	(298,040)
Income tax payable	504,000	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(2,388,209)</u>	<u>(1,142,248)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment in iAnthus Debenture	(20,000,000)	-
Proceeds received from investors	1,784,998	-
Purchases of property and equipment	(6,273,823)	(158,422)
Advances to related party	(2,132,321)	-
Repayments from related parties	575,000	-
Purchases of licenses	(49,999)	(970,000)
Investment in joint venture	(445,031)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(26,541,176)</u>	<u>(1,128,422)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions from members	23,468,286	4,055,676
Distributions to members	(5,682,000)	(2,745,800)
Proceeds from issuance of notes payable	825,000	-
Principal repayments of notes payable	(327,061)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>18,284,225</u>	<u>1,309,876</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(10,645,160)	(960,794)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>29,565,497</u>	<u>12,955,518</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 18,920,337</u>	<u>\$ 11,994,724</u>

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Cash Flows (Continued)**  
**For the Three Months Ended March 31, 2018 and 2017**

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	Three Months Ended March 31,	
	<u>2018</u>	<u>2017</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 409,312</u>	<u>\$ 13,254</u>
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchase of property and equipment with cancellation of note receivable	<u>\$ 605,000</u>	<u>\$ -</u>
Distributions payable to members	<u>\$ -</u>	<u>\$ (667,250)</u>

The accompanying notes are an integral part of these combined financial statements

# **GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**

## **Notes to Combined Financial Statements**

**For the Three Months Ended March 31, 2018 and 2017**

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### **1. NATURE OF OPERATIONS**

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References in this document to “the Company”, or “GTI”, are intended to mean the Green Thumb Industries (GTI) Group of Companies, individually, or as the context requires, collectively with its subsidiaries and affiliates on a combined basis.

GTI is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider it owns cultivation, processing, and retail licenses across five State markets (Illinois, Maryland, Nevada, Pennsylvania and Massachusetts). The Company is fully licensed in its State markets and has acquired its various State licenses through competitive application processes and / or via purchase.

In addition to the States listed above, the Company also conducts pre-licensing activities in several other markets. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses.

The Company’s corporate headquarters are at 325 W. Huron St., Chicago, Illinois 60654.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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#### **(a) Basis of Preparation**

The unaudited interim period combined financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the three month period ended March 31, 2018.

These unaudited interim combined financial statements were approved and authorized for issue by the Board of Directors of the Company on June 07, 2018.

#### **(b) Basis of Measurement**

These unaudited interim combined financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments and biological assets that are measured at fair value as described herein.

#### **(c) Functional Currency**

The Company and its affiliates’ functional currency, as determined by management, is the United States (“U.S.”) dollar. These combined financial statements are presented in U.S. dollars.

#### **(d) Basis of Combination**

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of affiliates are included in the combined financial statements from the date that control commences until the date that control ceases.

These combined financial statements include the accounts of the Company and its affiliates. Non-controlling interests are included as a component of members’ equity.

All significant intercompany balances and transactions were eliminated in combination.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, and cash held at retail locations.

**(f) Inventories**

Inventories purchased from third parties, which include work in process, finished goods, and packaging and supplies, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value. At March 31, 2018 and December 31, 2017, there were no reserves for inventories required.

**(g) Biological Assets**

The Company measures biological assets consisting of medical cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced work in process and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations. The Company expenses pre-harvest costs as incurred.

**(h) Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings and Improvements	39 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Remaining Life of Lease
Manufacturing Equipment	5 - 7 Years
Assets Under Construction	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Combined Statements of Operations in the year the asset is derecognized.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(i) Intangible Assets**

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include cannabis licenses, have indefinite useful lives and are not subject to amortization. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. As of March 31, 2018 and December 31, 2017, the Company did not recognize any impairment losses.

Patient relationships and non-compete agreements are measured at fair value at the time of acquisition and are amortized on a straight-line basis over a period of five and two years, respectively.

**(j) Goodwill**

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or CGUs which are expected to benefit from the synergies of the combination.

Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU.

Any goodwill impairment loss is recognized in the Combined Statements of Operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. As of March 31, 2018 and December 31, 2017, the Company did not recognize any impairment losses.

**(k) Leased Assets**

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(l) Income Taxes**

Income tax expense is recognized in the Combined Statements of Operations based on the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year-end. For the periods ended March 31, 2018 and 2017, Federal and State income tax expense totaled \$504,000 and \$0, respectively. Taxable income is computed for GTI Core, LLC and its respective LLC ownership interests. In 2017, GTI Core, LLC elected to be taxed as a C Corporation. Not all Green Thumb Industries (GTI) Group of Companies have elected to be taxed as a C Corporation and, accordingly, taxable income and losses from certain limited liability companies flow through to their respective members.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liabilities settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

As discussed in note 15, on January 1, 2018, the Company, through a tax-free transfer under IRC Section 352, transferred ownership in GTI-Clinic Illinois Holdings, LLC (taxed as a partnership) to GTI Core, LLC (taxed as a "C" corporation). As a result of the transaction, the Company now accounts for income taxes in accordance with ASC-740 - Income taxes, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases. As a result of the transaction, the tax basis of the Company decreased resulting in the recognition of a deferred tax liability of \$614,000 with a corresponding decrease to Members' Equity. The liability pertains to the difference in reporting biological assets for financial statement and income tax reporting purposes. At March 31, 2018, the liability was reduced by \$469,000 in order to recognize the tax effect of the reduction in biological assets at that date.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

**(m) Revenue Recognition**

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the customer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer;
- and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the periods ended March 31, 2018 and 2017, amounts recorded as revenues are net of allowances, discounts, and rebates totaling \$287,919 and \$110,981, respectively.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(n) Financial Instruments** *(See also Note 14)*

*(i) Financial Assets*

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the 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 risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*(ii) Financial Liabilities*

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date 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, cancelled, or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in the combined statement of operations.

*(iii) Classification of Financial Instruments*

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash and Cash Equivalents	Fair value through profit or loss
Investments	Loans and receivables
Accounts Receivable	Loans and receivables
Accounts Payable and Accrued Liabilities	Other liabilities
Distributions Payable to Members	Other liabilities
Notes Payable	Other liabilities

*(iv) Classification of Financial Instruments*

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(o) Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's combined financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

*(i) Estimated Useful Lives and Depreciation of Property and Equipment (Also see Note 2(h))*

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

*(ii) Estimated Useful Lives and Amortization of Intangible Assets (Also see Note 2(i))*

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

*(iii) Biological Assets (Also see Note 4)*

Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth or the cannabis, harvested costs, sales price and expected yields.

*(iv) Business Combinations (Also see Note 6)*

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

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(o) Significant Accounting Judgments, Estimates and Assumptions** *(Continued)*

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

**(v) Goodwill Impairment**

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

**(p) Recent Accounting Pronouncements**

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

**(i) IFRS 7, Financial instruments: Disclosure**

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company does not expect significant impact on its combined financial statements from the adoption of this new standard.

**(ii) IFRS 9, Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company does not expect significant impact on its combined financial statements from the adoption of this new standard.

**(iii) IFRS 15, Revenue from Contracts with Customers**

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its combined financial statements from the adoption of this new standard.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(p) Recent Accounting Pronouncements** *(Continued)*

*(iv) IFRS 16, Leases*

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

**3. INVENTORIES**

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The Company's inventories include the following at March 31, 2018 and at December 31, 2017:

	<u>2018</u>	<u>2017</u>
Raw Material		
Harvested Cannabis	\$ 2,031,411	\$ 601,227
Packaging and Miscellaneous	<u>1,062,174</u>	<u>500,765</u>
Total Raw Material	3,093,585	1,101,992
Work in Process	137,034	184,435
Finished Goods	<u>1,926,179</u>	<u>1,403,335</u>
<b>Total Inventories</b>	<u><u>\$ 5,156,798</u></u>	<u><u>\$ 2,689,762</u></u>

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**4. BIOLOGICAL ASSETS**

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Biological assets consist of cannabis plants. At March 31, 2018 and December 31, 2017, the changes in the carrying value of biological assets are shown below:

<u>Harvest in Process</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,117,131	\$ 971,044
Net change in fair value less costs to sell due to biological transformation	1,831,219	6,990,524
Cost of good sold on transformation	<u>(1,680,174)</u>	<u>(5,844,437)</u>
	<u>151,045</u>	<u>1,146,087</u>
Subtotal	2,268,176	2,117,131
Transferred to inventory upon harvest	<u>(1,767,972)</u>	<u>-</u>
Ending balance	<u>\$ 500,204</u>	<u>\$ 2,117,131</u>

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is sixteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 106 grams per plant;
- The average selling price of whole flower is \$6.28 per gram;
- Processing costs include drying and curing, testing and packaging, post-harvest overhead allocation, and oil extraction costs estimated to be \$0.91 per gram; and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be \$0.57 per gram.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by \$196,436 (2017 - \$414,937) and inventory decreasing by \$113,498 (2017 - \$93,029).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by \$94,686 (2017 - \$293,365).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As of March 31, 2018, the biological assets were on average, 35% complete (2017 – 45%), and the estimated fair value less costs to sell of dry cannabis was \$6.75 per gram.

As of March 31, 2018, it is expected that the Company's biological assets will ultimately yield approximately 621kg of cannabis (2017 - 512kg).

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

**5. PROPERTY AND EQUIPMENT**

At March 31, 2018 and December 31, 2017, property and equipment consists of:

	2018	2017
Land	\$ 1,687,489	\$ 1,626,989
Buildings and Improvements	14,262,599	13,999,703
Furniture and Fixtures	779,882	505,268
Computer Equipment and Software	409,074	381,029
Leasehold Improvements	2,924,985	2,350,287
Manufacturing Equipment	1,440,621	1,128,835
Assets Under Construction	18,079,225	12,762,563
<b>Total Property and Equipment, Gross</b>	<b>39,583,875</b>	<b>32,754,674</b>
Less: Accumulated Depreciation	(1,497,062)	(1,196,317)
<b>Property and Equipment, Net</b>	<b>\$ 38,086,813</b>	<b>\$ 31,558,357</b>

Assets under construction represent construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not placed in service.

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	<b>Property and Equipment, Gross</b>	<b>Accumulated Depreciation</b>	<b>Property and Equipment, Net</b>
<b>Balance as of January 1, 2018</b>	<b>\$ 32,754,674</b>	<b>\$ (1,196,317)</b>	<b>\$ 31,558,357</b>
Additions	6,878,823		6,878,823
Disposals	(49,622)		(49,622)
Depreciation		(300,745)	(300,745)
<b>Balance as of March 31, 2018</b>	<b>\$ 39,583,875</b>	<b>(1,497,062)</b>	<b>\$ 38,086,813</b>

Depreciation expense for the periods ended March 31, 2018 and 2017, totaled \$300,745 and \$136,933, respectively, of which \$110,676 and \$112,822, respectively, is included in cost of goods sold.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**6. ACQUISITION**

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There were no acquisitions completed during each of the three month periods ending March 31, 2018 and 2017.

**7. INTANGIBLE ASSETS**

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At March 31, 2018 and December 31, 2017, intangible assets consisted of the following:

	<b>Balance at January 1, 2018</b>	<b>Purchases</b>	<b>Additions from Acquisitions</b>	<b>Accumulated Amortization</b>	<b>Balance at March 31, 2018</b>
<b><u>Indefinite Lives</u></b>					
Licenses and Permits	\$ 13,004,575	\$ 49,999	\$ -	\$ -	\$ 13,054,574
Tradename	360,000	-	-	-	360,000
Total	13,364,575	49,999	-	-	13,414,574
<b><u>Finite Lives</u></b>					
Patient Relationships	779,500	-	-	(41,000)	738,500
Non-competition Agreements	17,920	-	-	(2,560)	15,360
Total	797,420	-	-	(43,560)	753,860
<b>Total Intangible Assets</b>	<b><u>\$ 14,161,995</u></b>	<b><u>\$ 49,999</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (43,560)</u></b>	<b><u>\$ 14,168,434</u></b>

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense of \$43,560 and \$0 for the periods ended March 31, 2018 and 2017, respectively. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

Based solely on the amortizable intangible assets recorded at March 31, 2018, estimated amortization expense for the years ended December 31, 2018 through 2022 is as follows:

<b><u>Year Ending December 31</u></b>	<b><u>Estimated Amortization</u></b>
2018 (nine months)	\$ 130,680
2019	171,680
2020	164,000
2021	164,000
2022	123,500
	<b><u>\$ 753,860</u></b>



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**8. NOTES PAYABLE**

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At March 31, 2018 and December 31, 2017, notes payable consisted of the following:

	<u>2018</u>	<u>2017</u>
Promissory note dated October 2, 2017, in the original amount of \$2,500,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$55,611 including interest at 12.5% per annum.	\$ 2,343,853	\$ 2,438,472
Promissory note dated October 2, 2017, in the original amount of \$5,000,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$112,490 including interest at 12.5% per annum.	4,687,705	4,876,943
In connection with an acquisition completed in 2018, the Company is required to make quarterly charitable contributions of \$50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%. (See Note 6)	1,209,430	1,252,634
Convertible note dated October 31, 2017, in the original amount of \$3,000,000 issued to accredited investors, which matures January 31, 2019, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to an 11% member interest in GTI Pennsylvania, LLC.	3,330,000	3,000,000
Convertible note dated September 22, 2017, in the original amount of \$4,500,000 issued to accredited investors, which matures December 22, 2018, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to a 16.5% member interest in GTI Pennsylvania, LLC.	<u>4,995,000</u>	<u>4,500,000</u>
Total Notes Payable	16,565,988	16,068,049
Less: Current Portion of Notes Payable	<u>(8,899,261)</u>	<u>(8,861,376)</u>
<b>Notes Payable, Net of Current Portion</b>	<b><u>\$ 7,666,727</u></b>	<b><u>\$ 7,206,673</u></b>

Stated maturities of debt obligations are as follows:

Year Ending December 31,

2018 (nine months)	\$ 8,899,261
2019	888,412
2020	831,815
2021	768,041
2022	585,513
Thereafter	<u>4,592,947</u>
	<b><u>\$ 16,565,988</u></b>

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**8. NOTES PAYABLE** *(Continued)*

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The promissory notes with outstanding balances at March 31, 2018 of \$2,343,853 and \$4,687,705 are collateralized by substantially all of the assets of GTI Clinic Illinois Holdings LLC and affiliates and certain real estate.

In connection with the notes dated October 2, 2017, the Company is required to comply with financial covenants, including minimum fixed charge coverage and funded debt to EBITDA ratios. At March 31, 2018, the Company was in compliance with these covenants.

**9. GENERAL AND ADMINISTRATIVE**

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For the periods ended March 31, 2018 and 2017, general and administrative expenses were comprised of:

	2018	2017
Salaries & Benefits	\$ 3,332,347	\$ 596,948
Professional Fees	1,020,859	1,020,459
Rent	466,036	98,186
Other	328,393	198,884
Travel	253,594	115,969
Office Equipment and Supplies	136,649	11,802
Utilities	110,448	17,428
Licenses & Permits	94,350	12,342
Insurance	47,744	9,634
Bank fees	40,120	9,482
Charitable Donations	10,650	33,111
Computer, Telephone, and Internet	10,706	5,506
<b>Total General and Administrative Expenses</b>	<b>\$ 5,851,896</b>	<b>\$ 2,129,751</b>

**10. MEMBERS' EQUITY**

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On January 1, 2018, GTI-Clinic Illinois Holdings, LLC (representing GTI's Illinois operations and ownership) and RCP23, LLC (representing GTI's non-Illinois operations that included Nevada, Pennsylvania, Massachusetts, and Maryland ownership) closed on a restructuring, which combined all of GTI's operational and ownership structure within VCP23, LLC. Prior to January 1, 2018, these businesses were managed by GTI senior management but had a slightly different shareholder base.

As part of the restructuring, the owners of the GTI-Clinic Illinois Holdings, LLC received 50,688,000 Preferred Units and 55,434,783 Common Units in VCP23, LLC and RCP23, LLC received 68,578,258 Preferred Units and 75,000,000 Common Units in VCP23, LLC. There was no change in the amount or allocation of Preferred Units and Common Units as of March 31, 2018.

At March 31, 2018 certain members owed the company \$1,001,000 for capital contributions. These amounts were collected prior to May 6, 2018 and accordingly, are included in members' equity without offset in the accompanying combined financial statements.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**11. NON-CONTROLLING INTEREST**

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In February 2017, an unrelated third party converted its note and accrued interest for an approximate 42.5% interest in GTI Nevada LLC. This entity is included in the unaudited interim combined financial statements with a resulting non-controlling interest reflected therein.

In connection with an operating agreement reached in August 2017, GTI Core, LLC effectively assumed control over the operations of an entity which holds multiple Maryland licenses. This entity also contributed assets in exchange for an ownership interest in a GTI subsidiary. Both entities are included in the combined financial statements with a resulting non-controlling interest reflected therein.

**12. COMMITMENTS AND CONTINGENCIES**

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**(a) Office and Operating Leases**

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2028 and contain renewal provisions. Additionally, certain leases provide for rent abatement, and rent expense is calculated on straight-line basis over the terms of the leases with the incentives reported as deferred rent. The Company's net rent expense for the periods ended March 31, 2018 and 2017, was approximately \$356,000 and \$98,000, respectively.

Certain facilities are occupied under the terms of lease agreements with related parties. The leases expire through 2024 and contain certain renewal provisions. Rent expense under these leases totaled \$110,000 and \$0 for the periods ended March 31, 2018, and 2017, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

<u>Year Ending December 31</u>	<u>Third Parties</u>	<u>Related Parties</u>	<u>Total</u>
2018 (9 months)	\$ 723,233	\$ 335,496	\$ 1,058,729
2019	742,287	342,206	1,084,493
2020	693,865	349,050	1,042,915
2021	686,788	356,031	1,042,819
2022	545,068	284,113	829,181
2023 and Thereafter	<u>1,203,257</u>	<u>261,993</u>	<u>1,465,250</u>
<b>Total Future Minimum Lease Payments</b>	<b><u>\$ 4,594,498</u></b>	<b><u>\$ 1,928,889</u></b>	<b><u>\$ 6,523,387</u></b>

**(b) Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at March 31, 2018, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

**(c) Claims and Litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's combined

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

**13. RELATED PARTIES TRANSACTIONS**

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**(a) Due from Related Parties**

At March 31, 2018 and December 31, 2017, amounts due from related parties consisted of:

	<u>2018</u>	<u>2017</u>
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52%.	\$ -	\$ 605,000
Note receivable from Firefly Dispensaries dated February 14, 2018, principal due the 6 months after the date of termination of the Services Agreement or the one year anniversary of the Note; plus interest at 10%.	2,000,000	
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raising activities; plus interest at 2%; note repaid on February 13, 2018.	-	575,000
Other	<u>141,007</u>	<u>8,686</u>
<b>Total Due from Related Party</b>	<u>\$ 2,141,007</u>	<u>\$ 1,188,686</u>

**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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**Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, short-term note payable, and long-term debt. The carrying values of these financial instruments approximate their fair values at March 31, 2018 and December 31, 2017.

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

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

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** *(Continued)*

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There have been no transfers between fair value levels during the periods ended March 31, 2018 and 2017.

The following table summarizes the Company's financial instruments as of March 31, 2018:

	<u>Loans and Receivables</u>	<u>Other Financial Liabilities</u>	<u>Total</u>
<b>Financial Assets:</b>			
Cash and Cash Equivalents	\$ 18,920,337	\$ -	\$ 18,920,337
Investments	\$ 20,000,000	\$ -	\$ 20,000,000
<b>Financial Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 5,099,024	\$ 5,099,024
Income Tax Payable	\$ -	\$ 718,000	\$ 718,000
Current Portion of Notes Payable	\$ -	\$ 8,899,261	\$ 8,899,261
Distributions Payable to Members	\$ -	\$ 279,750	\$ 279,750
Notes Payable, Net of Current Portion	\$ -	\$ 7,666,727	\$ 7,666,727

The following table summarizes the Company's financial instruments as of December 31, 2017:

	<u>Loans and Receivables</u>	<u>Other Financial Liabilities</u>	<u>Total</u>
<b>Financial Assets:</b>			
Cash and Cash Equivalents	\$ 29,565,497	\$ -	\$ 29,565,497
<b>Financial Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 4,925,531	\$ 4,925,531
Income Tax Payable	\$ -	\$ 214,000	\$ 214,000
Current Portion of Notes Payable	\$ -	\$ 8,861,376	\$ 8,861,376
Distributions Payable to Members	\$ -	\$ 279,750	\$ 279,750
Notes Payable, Net of Current Portion	\$ -	\$ 7,206,673	\$ 7,206,673

**Financial Risk Management**

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

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** *(Continued)*

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**(a) Credit Risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at March 31, 2018 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

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

On January 17, 2018, GTI entered into a Debenture Purchase Agreement with iAnthus Capital Holdings, Inc. whereby GTI loaned \$20 million to iAnthus for the purchase of a Florida medical cannabis business. As part of the Debenture Purchase Agreement, GTI received (i) an Unsecured Debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) a Warrant Certificate providing GTI with 10,040,000 iAnthus warrants at a price of \$1.9928 per common share. The Unsecured Debenture had a maturity of 12 months but had certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. At March 31, 2018 the Company recorded accrued interest of \$600,000 pertaining to this note.

**(b) Liquidity Risk**

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

In addition to the commitments outlined in Note 12, the Company has the following contractual obligations:

	<u>&lt;1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts Payable and				
Accrued Liabilities	\$ 5,099,024	\$ -	\$ -	\$ 5,099,024
Income Tax Payable	\$ 718,000	\$ -	\$ -	\$ 718,000

**(c) Market Risk**

*(i) Interest Rate Risk*

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

*(ii) Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 4 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**15. SUBSEQUENT EVENTS**

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The Company has evaluated subsequent events through June 7, 2018, which is the date these combined financial statements were issued.

**(a) iAnthus Debenture Investment** (also see note 14)

On May 16, 2018, iAnthus completed a capital raise and subsequently repaid the outstanding principal of \$20 million and accrued interest of \$978,082 on the Unsecured Debenture. As of June 7, 2018, the 10,040,000 warrants associated with this investment remain outstanding and fully un-exercised.

**(b) Transaction with Firefly Dispensaries** (also see note 13(a))

On February 14, 2018, GTI executed several agreements with KW Ventures Holdings, LLC, d/b/a/ Firefly Dispensaries, which received a medical cannabis dispensary license from the Pennsylvania Department of Health in 2017. The executed agreements include a Contribution Agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC. The Contribution Agreement provided for a \$3,000,000 working capital line of credit and a management services agreement for GTI to support dispensary build out and pre-operating activities. Both parties intend to execute this transaction and close in the 3<sup>rd</sup> quarter of 2018.

**(c) Letters of Intent (Florida)**

VCP has entered into a definitive agreement with KSGNF, LLC, the holder of a license to operate a medical marijuana treatment center in the State of Florida, to purchase the assets or equity of KSGNF, LLC in exchange for a combination of cash and VCP equity. VCP also entered into (i) a credit agreement and promissory note with KSGNF, LLC to lend up to \$1 million in working capital for the Florida business, and (ii) a consulting agreement pursuant to which VCP would provide certain discrete advisory services to KSGNF, LLC in exchange for a nominal consulting fee. It is anticipated that the closing of the acquisition will occur in the fourth quarter of 2018.

**(d) VCP Convertible Debt Offering**

On April 30, 2018, VCP23, LLC completed a \$45 million private placement of 3-year unsecured convertible promissory notes to accredited investors. An initial \$25 million offering was 2x oversubscribed and the Company limited the final amount to \$45 million. The cash proceeds of the offering will be used for working capital and acquisition purposes. Terms of the offering include, but are not limited to, (i) an interest rate of 8% per annum simple interest, which will be paid "in kind" and added to the principal, (ii) if converted, a 20% discount on the valuation of a subsequent capital offering, public exchange offering, or a change of control event and (iii) if converted, subject to a specified valuation cap, exclusive of the convertible debt offering.

**(e) Pennsylvania Legislative Expansion**

The Pennsylvania Department of Health and Governor Tom Wolfe announced on April 17, 2018 that dry flower would be included in the regulations as an approved product form for sale and consumption (in addition to the already approved forms). VCP was awarded one of only three permits to provide wholesale dry flower to all licensed dispensaries for an initial pilot period. Simultaneously, it was announced that the list of qualifying conditions would expand from 17 to 21, including additions of cancer remission therapy and opioid-addiction therapy.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Three Months Ended March 31, 2018 and 2017**

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**15. SUBSEQUENT EVENTS** *Continued*

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**(f) Receipt of Maryland Cultivation License**

On April 9, 2018, Maryland Governor Larry Hogan signed House Bill 2 into law. Among other things, HB2 Section 9(a)(1) requires the Maryland Medical Cannabis Commission — on or before June 1, 2018 — to grant a Stage One preapproval for a medical cannabis grower license to GTI Maryland, LLC. Upon receipt of the Stage One preapproval, and the subsequent successful completion of Stage Two of the application process, GTI will be authorized to cultivate medical cannabis in Maryland. At that time GTI will achieve full supply chain integration. GTI will work in partnership with the state and the Maryland Medical Cannabis Commission to determine the location for its grow facility, with particular attention paid to areas that would most benefit from newly created jobs. GTI's Maryland cultivation operations are expected to begin in the 3rd quarter of 2018.

**(g) Reverse Takeover**

On April 23, 2018, the Company entered in a letter of intent (the "Transaction") with Bayswater Uranium Corporation ("Bayswater") pursuant to which Bayswater would become the indirect holder of all of the issued and outstanding securities of GTI. Immediately prior to the Transaction, Bayswater will 1) complete a share consolidation on a 10 to 1 basis; and 2) complete a private placement to raise up to \$500,000. These events will result in an aggregate of approximately 5,574,000 post-consolidation shares outstanding pre-Transaction. Bayswater is based in Canada and is a "reporting issuer" in the Provinces of British Columbia and Alberta and as a result of the Transaction will become a "reporting issuer" in the Province of Ontario. It is intended that the Transaction will result in the listing of post-Transaction GTI shares on the Canadian Securities Exchange ("CSE") as of the effective time of the Transaction. The Company expects the Transaction to be completed by June 15, 2018.



**GREEN THUMB INDUSTRIES (GTI)  
GROUP OF COMPANIES**

**COMBINED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

*(Expressed in United States Dollars)*



A new breed  
of professional  
services firm

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Management's Responsibility for Financial Reporting**

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To the Members of Green Thumb Industries (GTI) Group of Companies:

The accompanying combined financial statements and other financial information in this annual report were prepared by management of Green Thumb Industries (GTI) Group of Companies (collectively, "the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

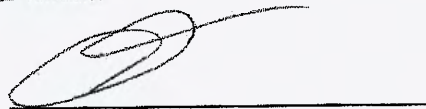
Management is responsible for the combined financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's combined financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, Macias Gini & O'Connell, LLP, and their report is presented herein.



\_\_\_\_\_  
*Chief Executive Officer*



\_\_\_\_\_  
*Chief Financial Officer*

May 16, 2018

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Index to Combined Financial Statements**

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	<b><u>Page(s)</u></b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>COMBINED FINANCIAL STATEMENTS:</b>	
Combined Statements of Financial Position .....	2
Combined Statements of Operations .....	3
Combined Statements of Changes in Members' Equity .....	4
Combined Statements of Cash Flows .....	5
Notes to Combined Financial Statements .....	7
<b>SUPPLEMENTARY INFORMATION (UNAUDITED):</b>	
Pro-Forma Financial Information (Unaudited) .....	27



Certified  
Public  
Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Members  
Green Thumb Industries (GTI) Group of Companies

We have audited the accompanying combined financial statements of Green Thumb Industries (GTI) Group of Companies (the "Company"), which comprise the combined statements of financial position at December 31, 2017 and 2016, and the combined statements of operations, changes in members' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Combined Financial Statements*

Management is responsible for the preparation and fair presentation of these combined 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements present fairly, in all material respects, the financial position of GTI Group of Companies at December 31, 2017 and 2016, 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.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The financial information shown on page 27, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Macias Gini & O'Connell LLP*

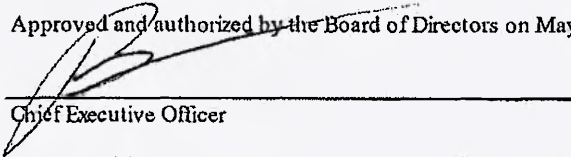
Los Angeles, California  
May 16, 2018

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Financial Position**  
**At December 31, 2017 and 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and Cash Equivalents	\$ 29,565,497	\$ 12,955,518
Accounts Receivable	892,373	300,347
Members Contribution Receivable	2,785,998	-
Due from Related Party	1,188,686	-
Inventories	2,689,762	1,040,886
Biological Assets	2,117,131	971,044
Prepaid Expenses and Other Current Assets	550,389	153,546
	<hr/>	<hr/>
Total Current Assets	39,789,836	15,421,341
Property and Equipment, Net	31,558,357	16,276,574
Intangible Assets, Net	14,161,995	3,384,575
Goodwill	188,260	-
Deposits and Other Assets	1,458,833	397,065
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 87,157,281</b>	<b>\$ 35,479,555</b>
	<hr/>	<hr/>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 4,044,760	\$ 431,662
Accrued Liabilities	880,771	1,186,940
Current Portion of Notes Payable	8,861,376	2,000,000
Income Tax Payable	214,000	-
Distributions Payable to Members	279,750	-
	<hr/>	<hr/>
Total Current Liabilities	14,280,657	3,618,602
Long-Term Liabilities:		
Deferred Rent	301,105	-
Notes Payable, Net of Current Portion	7,206,673	-
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>21,788,435</b>	<b>3,618,602</b>
<b>MEMBERS' EQUITY OF GTI GROUP OF COMPANIES</b>	<b>62,002,496</b>	<b>31,860,953</b>
<b>NON-CONTROLLING INTEREST</b>	<b>3,366,350</b>	<b>-</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 87,157,281</b>	<b>\$ 35,479,555</b>
	<hr/>	<hr/>

Nature of Operations (Note 1)  
 Commitments and Contingencies (Note 12)  
 Subsequent Events (Note 15)

Approved and authorized by the Board of Directors on May 16, 2018

  
 Chief Executive Officer

  
 Chief Financial Officer

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Operations**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenues, net of discounts	\$ 16,528,779	\$ 7,213,711
Cost of Goods Sold net of Fair Value Biological Asset Adjustment	<u>(10,446,801)</u>	<u>(5,824,544)</u>
Gross Profit before Biological Asset Adjustment	<u>6,081,978</u>	<u>1,389,167</u>
Unrealized Gain on Biological Asset Transformation <i>Note 4</i>	6,990,524	4,412,451
Cost of Goods Sold on Biological Asset Transformation	<u>(5,844,437)</u>	<u>(3,700,203)</u>
Gross Profit	<u>7,228,065</u>	<u>2,101,415</u>
<b>Expenses:</b>		
General and Administrative <i>Note 9</i>	11,039,124	4,540,518
Sales and Marketing	190,384	51,345
Depreciation and Amortization	<u>261,264</u>	<u>71,807</u>
<b>Total Expenses</b>	<u>11,490,772</u>	<u>4,663,670</u>
<b>Loss From Operations</b>	<u>(4,262,707)</u>	<u>(2,562,255)</u>
<b>Other Income (Expense):</b>		
Other Income (Expense), net	544,399	(308,827)
Interest Expense, net	<u>(432,448)</u>	<u>(225,089)</u>
<b>Total Other Income (Expense)</b>	<u>111,951</u>	<u>(533,916)</u>
<b>Loss Before Provision for Income Taxes And Non-Controlling Interest</b>	<u>(4,150,756)</u>	<u>(3,096,171)</u>
<b>Provision For Income Taxes</b> <i>Note 2</i>	<u>214,000</u>	<u>-</u>
<b>Net Loss Before Non-Controlling Interest</b>	<u>(4,364,756)</u>	<u>(3,096,171)</u>
<b>Net Loss Attributable To Non-Controlling Interest</b>	<u>(622,042)</u>	<u>-</u>
<b>Net Loss Attributable To GTI Group of Companies</b>	<u>\$ (3,742,714)</u>	<u>\$ (3,096,171)</u>

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2017 and 2016**

	Members' Equity	Non-Controlling Interest	Total
<b>Balance, January 1, 2016</b>	\$ 23,560,315	\$ -	\$ 23,560,315
Net Loss	(3,096,171)	-	(3,096,171)
Contributions from members	11,401,809	-	11,401,809
Distributions to members	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
<b>Balance, December 31, 2016</b>	31,860,953	-	31,860,953
Net loss	(3,742,714)	(622,042)	(4,364,756)
Contributions from members	65,385,608	774,468	66,160,076
Conversion of note payable and accrued interest into Class B units	-	2,279,452	2,279,452
Member contributions receivable	2,785,998	-	2,785,998
Distributions payable to members	(279,750)	-	(279,750)
Initial consolidation of Maryland Entities	-	934,472	934,472
Distributions to members	<u>(34,007,599)</u>	<u>-</u>	<u>(34,007,599)</u>
<b>Balance, December 31, 2017</b>	<u>\$ 62,002,496</u>	<u>\$ 3,366,350</u>	<u>\$ 65,368,846</u>

*Note 10*

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Cash Flows**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss attributable to GTI Group of Companies	\$ (3,742,714)	\$ (3,096,171)
Net loss attributable to non-controlling interest	(622,042)	-
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	689,988	493,185
Income from joint venture	(17,500)	(184,796)
Deferred rent	301,105	-
Changes in operating assets and liabilities:		
Accounts receivable	(592,026)	(238,166)
Biological assets	(1,146,087)	(712,298)
Inventory	(1,165,818)	(262,386)
Prepaid expenses and other current assets	(394,922)	(132,490)
Deposits and other assets	(884,268)	202,074
Accounts payable	3,098,293	(296,989)
Accrued liabilities	(26,717)	780,774
Income tax payable	214,000	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(4,288,708)</u>	<u>(3,447,263)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(14,244,340)	(1,130,082)
Advances to related party	(1,188,686)	-
Purchases of licenses	(220,000)	(3,321,075)
Purchase of business, net of cash acquired	(10,372,385)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(26,025,411)</u>	<u>(4,451,157)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions from members	66,160,076	11,401,809
Distributions to members	(34,007,599)	(5,000)
Proceeds from issuance of notes payable	15,000,000	2,000,000
Principal repayments of notes payable	(228,379)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>46,924,098</u>	<u>13,396,809</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	16,609,979	5,498,389
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>12,955,518</u>	<u>7,457,129</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 29,565,497</u>	<u>\$ 12,955,518</u>

The accompanying notes are an integral part of these combined financial statements



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Combined Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 149,081</u>	<u>\$ -</u>
<b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Conversion of convertible notes and accrued interest into equity	<u>\$ 2,279,452</u>	<u>\$ -</u>
Initial consolidation of Maryland Entities, net of cash acquired		
Prepaid expenses	\$ 1,921	
Property and equipment	1,287,356	
Deposits	160,000	
Accounts payable	<u>(514,805)</u>	
	<u>\$ 934,472</u>	
Acquisition (Note 6)		
Inventory	\$ 483,058	
Property and equipment	397,015	
Identifiable intangible assets	10,600,480	
Goodwill	188,260	
Liability assumed	<u>(1,296,428)</u>	
	<u>\$ 10,372,385</u>	
Distributions payable to members	<u>\$ 279,750</u>	<u>\$ -</u>
Due from investors for equity contributions	<u>\$ 2,785,998</u>	<u>\$ -</u>

The accompanying notes are an integral part of these combined financial statements

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**1. NATURE OF OPERATIONS**

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References in this document to “the Company”, or “GTI”, are intended to mean the Green Thumb Industries (GTI) Group of Companies, individually, or as the context requires, collectively with its subsidiaries and affiliates on a combined basis.

GTI is a vertically integrated cannabis operator that focuses on limited-licensed markets in the United States. As a vertically integrated provider, the Company owns cultivation, processing, and retail licenses across five State markets (Illinois, Maryland, Nevada, Pennsylvania and Massachusetts). The Company is fully licensed in its State markets and has acquired its various State licenses through competitive application processes and / or via purchase.

In addition to the States listed above the Company also conducts pre-licensing activities in other markets including Ohio, Arkansas, and Florida. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses.

The Company’s corporate headquarters are at 325 W. Huron St., Chicago, Illinois 60654.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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**(a) Basis of Preparation**

The combined financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the year ended December 31, 2017.

These combined financial statements were approved and authorized for issue by the Board of Directors of the Company on May 16, 2018.

**(b) Basis of Measurement**

These combined financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments and biological assets that are measured at fair value as described herein.

**(c) Functional Currency**

The Company and its affiliates’ functional currency, as determined by management, is the United States (“U.S.”) dollar. These combined financial statements are presented in U.S. dollars.

**(d) Basis of Combination**

Affiliates are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of affiliates are included in the combined financial statements from the date that control commences until the date that control ceases.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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These combined financial statements include the accounts of the Company and its affiliates:

- RCP23, LLC, a Delaware limited liability company (“RCP23”);
- GTI CORE, LLC a Delaware limited liability company (“CORE”);
- Vision Management Services, LLC a Delaware limited liability company (“Vision”);
- GTI Clinic Illinois Holdings, an Illinois limited liability company (“GTI Illinois”)

All significant intercompany balances and transactions were eliminated in combination.

**(e) Cash and Cash Equivalents**

Cash and cash equivalents include cash deposits in financial institutions, other deposits that are readily convertible into cash, and cash held at retail locations.

**(f) Inventories**

Inventories purchased from third parties, which include work in process, finished goods, and packaging and supplies, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow moving goods and any such inventories identified are written down to net realizable value. At December 31, 2017 and 2016, there were no reserves for inventories required.

**(g) Biological Assets**

The Company measures biological assets consisting of medical cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced work in process and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year. The Company expenses pre-harvest costs as incurred.

**(h) Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings and Improvements	39 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Remaining Life of Lease
Manufacturing Equipment	5 - 7 Years
Assets Under Construction	Not Depreciated

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Combined Statements of Operations in the year the asset is derecognized.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(i) Intangible Assets**

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets, which include cannabis licenses, have indefinite useful lives and are not subject to amortization. Such assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. At December 31, 2017 and 2016, the Company did not recognize any impairment losses.

Patient relationships and non-compete agreements are measured at fair value at the time of acquisition and are amortized on a straight-line basis over a period of five and two years, respectively.

**(j) Goodwill**

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination.

Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU.

Any goodwill impairment loss is recognized in the Combined Statements of Operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. At December 2017 and 2016, the Company did not recognize any impairment losses.

**(k) Leased Assets**

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(l) Income Taxes**

Income tax expense is recognized in the Combined Statements of Operations based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For the year ended December 31, 2017, Federal and State income tax expense totaled \$214,000 and is computed on taxable income of GTI Nevada LLC, in which GTI Core, LLC holds a 57.5% ownership interest. In 2017, GTI Core, LLC elected to be taxed as a C Corporation. For the years ended December 31, 2017 and 2016, all of the other Green Thumb Industries (GTI) Group of Companies were treated as limited liability companies and, accordingly, taxable income and losses flowed through to the respective members.

Deferred tax assets and liabilities and the related deferred income tax expense or recover, if any, are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. At December 31, 2017 and 2016, no deferred income tax assets or liabilities were recorded by the Company.

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

**(m) Revenue Recognition**

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the customer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the years ended December 31, 2017 and 2016, amounts recorded as revenues are net of allowances, discounts, and rebates totaling \$556,814 and \$139,612, respectively.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(n) Financial Instruments (Also see Note 14)**

*(i) Financial Assets*

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the 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 risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*(ii) Financial Liabilities*

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date 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, cancelled, or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in the combined statement of operations.

*(iii) Classification of Financial Instruments*

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	<u>Classification</u>
Cash and Cash Equivalents	Fair value through profit or loss
Accounts Receivable	Loans and receivables
Accounts Payable and Accrued Liabilities	Other liabilities
Distributions Payable to Members	Other liabilities
Notes Payable	Other liabilities

*(iv) Classification of Financial Instruments*

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(o) Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's combined financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

*(i) Estimated Useful Lives and Depreciation of Property and Equipment (Also see Note 2(h))*

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

*(ii) Estimated Useful Lives and Amortization of Intangible Assets (Also see Note 2(i))*

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

*(iii) Biological Assets (Also see Note 4)*

Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth or the cannabis, harvested costs, sales price and expected yields.

*(iv) Business Combinations (Also see Note 6)*

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

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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**(o) Significant Accounting Judgments, Estimates and Assumptions** *(Continued)*

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

*(v) Goodwill Impairment*

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

**(p) Recent Accounting Pronouncements**

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

*(i) IFRS 7, Financial instruments: Disclosure*

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

*(ii) IFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company does not expect significant impact on its combined financial statements from the adoption of this new standard.

*(iii) IFRS 15, Revenue from Contracts with Customers*

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its combined financial statements from the adoption of this new standard.



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**(p) Recent Accounting Pronouncements (Continues)**

*(iv) IFRS 16, Leases*

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

*(v) IAS 16 and IAS 41, Bearer Plants*

The Company has implemented amendments to IAS 16 and IAS 41, which became effective for annual periods beginning on January 1, 2016. These amendments are summarized below.

- ‘Bearer plants’ are accounted for as property, plant and equipment and measured at initial recognition at cost or reevaluation basis.
- Bearer plants are defined as a living plant that are used in the production or supply of agricultural produce. Such plants are expected to bear produce for more than one period, and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Bearer plants remain within the scope of IAS 41.

The amendments described above are consistent with the Company’s accounting practices.

**3. INVENTORIES**

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The Company’s inventories include the following at December 31:

	2017	2016
Raw Material		
Harvested Cannabis	\$ 601,227	\$ 477,675
Packaging and Miscellaneous	500,765	138,378
Total Raw Material	1,101,992	616,053
Work in Process	184,435	152,671
Finished Goods	1,403,335	272,162
<b>Total Inventories</b>	<b>\$ 2,689,762</b>	<b>\$ 1,040,886</b>

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**4. BIOLOGICAL ASSETS**

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Biological assets consist of cannabis plants. At December 31, 2017 and 2016, the changes in the carrying value of biological assets are shown below:

<u>Harvest in Process</u>	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 971,044	\$ 258,796
Net change in fair value less costs to sell due to biological transformation	6,990,524	4,412,451
Transferred to inventory upon harvest	<u>(5,844,437)</u>	<u>(3,700,203)</u>
Ending balance	<u>\$ 2,117,131</u>	<u>\$ 971,044</u>

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is sixteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 102 grams per plant;
- The average selling price of whole flower is \$5.83 per gram;
- Processing costs include drying and curing, testing and packaging, post-harvest overhead allocation, and oil extraction costs estimated to be \$0.49 per gram; and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be \$0.45 per gram.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by \$414,937 (2016 - \$201,505) and inventory decreasing by \$93,029 (2016 - \$42,370).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by \$293,365 (2016 - \$186,717).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

As at December 31, 2017, the biological assets were on average, 45% complete (2016 – 53%), and the estimated fair value less costs to sell of dry cannabis was \$7.89 per gram.

As of December 31, 2017, it is expected that the Company's biological assets will ultimately yield approximately 512kg of cannabis (2016 - 358kg).

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

**5. PROPERTY AND EQUIPMENT**

At December 31, property and equipment consists of:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,626,989	\$ 1,116,641
Buildings and Improvements	13,999,703	13,814,275
Furniture and Fixtures	505,268	258,135
Computer Equipment and Software	381,029	15,958
Leasehold Improvements	2,350,287	298,037
Manufacturing Equipment	1,128,835	761,717
Assets Under Construction	<u>12,762,563</u>	<u>561,200</u>
Total Property and Equipment, Gross	32,754,674	16,825,963
Less: Accumulated Depreciation	<u>(1,196,317)</u>	<u>(549,389)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 31,558,357</u></b>	<b><u>\$ 16,276,574</u></b>

Assets under construction represent construction in progress related to both cultivation and dispensary facilities not yet completed or otherwise not placed in service.

A reconciliation of the beginning and ending balances of property and equipment is as follows:

	<u>Property and Equipment, Gross</u>	<u>Accumulated Depreciation</u>	<u>Property and Equipment, Net</u>
<b>Balance as of January 1, 2016</b>	<b>\$ 15,695,881</b>	<b>\$ (56,204)</b>	<b>\$ 15,639,677</b>
Additions	1,130,082	-	1,130,082
Depreciation	<u>-</u>	<u>(493,185)</u>	<u>(493,185)</u>
<b>Balance as of December 31, 2016</b>	<b>16,825,963</b>	<b>(549,389)</b>	<b>16,276,574</b>
Additions	14,244,340	-	14,244,340
Business Acquisitions	397,015	-	397,015
Initial Consolidations	1,287,356	-	1,287,356
Depreciation	<u>-</u>	<u>(646,928)</u>	<u>(646,928)</u>
<b>Balance as of December 31, 2017</b>	<b><u>\$ 32,754,674</u></b>	<b><u>\$ (1,196,317)</u></b>	<b><u>\$ 31,558,357</u></b>

Depreciation expense for the years ended December 31, 2017 and 2016, totaled \$646,928 and \$493,185, respectively, of which \$428,724 and \$421,378, respectively, is included in cost of goods sold.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**6. ACQUISITION**

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In August 2017, the Company entered into a Membership Interest Purchase Agreement (the “Agreement”) with the members of another cannabis company. Pursuant to the terms of the Agreement, the Company acquired all of the entity’s assets in exchange for a total consideration of \$11,668,813. The transaction closed on October 2, 2017 and was accounted for as a business combination.

The following table summarizes the consideration for the acquisition:

Cash Paid	\$ 10,372,385
Liability Assumed (See Note 8)	<u>1,296,428</u>
<b>Total Consideration</b>	<b><u>\$ 11,668,813</u></b>

The following table summarizes the finalized purchase price allocation:

Non-biological Inventory	\$ 483,058
Property and Equipment	397,015
Intangible Assets:	
Licenses and Permits	9,400,000
Patient Relationships	820,000
Tradename	360,000
Non-competition Agreements	<u>20,480</u>
Total Identifiable Net Assets	11,480,553
Goodwill	<u>188,260</u>
<b>Net Assets</b>	<b><u>\$ 11,668,813</u></b>

Acquisition costs, which are expensed as incurred, were not significant and were excluded from the consideration transferred.

For the year ended December 31, 2017, the acquired entity accounted for \$368,961 in net income since October 2, 2017. This amount included revenues of \$1,887,433.

**7. INTANGIBLE ASSETS**

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At December 31, intangible assets consisted of the following:

	<u>Balance at</u> <u>January 1,</u> <u>2016</u>	<u>Purchases</u>	<u>Additions from</u> <u>Acquisitions</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Balance at</u> <u>December 31,</u> <u>2016</u>
<b><u>Indefinite Lives</u></b>					
Licenses and Permits	<u>\$ 63,500</u>	<u>\$ 3,321,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,384,575</u>

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

**7. INTANGIBLE ASSETS (Continued)**

	<u>Balance at January 1, 2017</u>	<u>Purchases</u>	<u>Additions from Acquisitions</u>	<u>Accumulated Amortization</u>	<u>Balance at December 31, 2017</u>
<b><u>Indefinite Lives</u></b>					
Licenses and Permits	\$ 3,384,575	\$ 220,000	\$ 9,400,000	\$ -	\$ 13,004,575
Tradenname	-	-	360,000	-	360,000
Total	<u>3,384,575</u>	<u>220,000</u>	<u>9,760,000</u>	<u>-</u>	<u>13,364,575</u>
<b><u>Finite Lives</u></b>					
Patient Relationships	-	-	820,000	(40,500)	779,500
Non-competition Agreements	-	-	20,480	(2,560)	17,920
Total	<u>-</u>	<u>-</u>	<u>840,480</u>	<u>(43,060)</u>	<u>797,420</u>
<b>Total Intangible Assets</b>	<b><u>\$ 3,384,575</u></b>	<b><u>\$ 220,000</u></b>	<b><u>\$ 10,600,480</u></b>	<b><u>\$ (43,060)</u></b>	<b><u>\$ 14,161,995</u></b>

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense of \$43,060 and \$0 for the years ended December 31, 2017 and 2016, respectively. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition.

Based solely on the amortizable intangible assets recorded at December 31, 2017, estimated amortization expense for the years ending December 31, 2018-2022 is as follows:

<u>Year Ending December 31</u>	<u>Estimated Amortization</u>
2018	\$ 174,240
2019	171,680
2020	164,000
2021	164,000
2022	<u>123,500</u>
	<b><u>\$ 797,420</u></b>

Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

**8. NOTES PAYABLE**

At December 31, notes payable consisted of the following:

	<u>2017</u>	<u>2016</u>
Promissory note dated October 2, 2017, in the original amount of \$2,500,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$55,611 including interest at 12.5% per annum.	\$ 2,438,472	\$ -
Promissory note dated October 2, 2017, in the original amount of \$5,000,000 issued to accredited investors, which matures October 1, 2022; monthly payments of \$112,490 including interest at 12.5% per annum.	4,876,943	-
In connection with the acquisition described in note 6, the Company is required to make quarterly charitable contributions of \$50,000 through October 2024. The net present value of these required payments has been recorded as a liability with an interest rate of 2.17%. (See Note 6)	1,252,634	-
Convertible note dated October 31, 2017, in the original amount of \$3,000,000 issued to accredited investors, which matures January 31, 2019, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to an 11% member interest in GTI Pennsylvania, LLC.	3,000,000	-
Convertible note dated September 22, 2017, in the original amount of \$4,500,000 issued to accredited investors, which matures December 22, 2018, and bears interest at a rate of 8.00% per annum. The note and unpaid accrued interest were converted on April 1, 2018, to a 16.5% member interest in GTI Pennsylvania, LLC.	4,500,000	-
Convertible note dated March 18, 2016, in the original amount of \$2,000,000 issued to accredited investors and bore interest at a rate of 15% per annum. The note and unpaid accrued interest were converted into 20 membership units of GTI Nevada LLC during 2017.	<u>-</u>	<u>2,000,000</u>
Total Notes Payable	16,068,049	2,000,000
Less: Current Portion of Notes Payable	<u>(8,861,376)</u>	<u>(2,000,000)</u>
<b>Notes Payable, Net of Current Portion</b>	<b><u>\$ 7,206,673</u></b>	<b><u>\$ -</u></b>

Stated maturities of debt obligations are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 8,861,376
2019	888,412
2020	831,815
2021	768,041
2022	585,513
Thereafter	<u>4,132,893</u>
	<b><u>\$ 16,068,049</u></b>

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**8. NOTES PAYABLE (Continued)**

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The promissory notes with outstanding balances at December 31, 2017 of \$2,438,472 and \$4,876,943 are collateralized by substantially all of the assets of GTI Clinic Illinois Holdings LLC and affiliates and certain real estate.

In connection with the notes dated October 2, 2017, the Company is required to comply with financial covenants, including minimum fixed charge coverage and funded debt to EBITDA ratios. At December 31, 2017, the Company was in compliance with these covenants.

**9. GENERAL AND ADMINISTRATIVE**

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For the years ended December 31, general and administrative expenses were comprised of:

	<u>2017</u>	<u>2016</u>
Salaries & Benefits	\$ 3,961,245	\$ 1,281,746
Professional Fees	3,517,892	1,901,554
Rent	1,071,247	197,201
Other	656,281	449,125
Travel	637,122	302,440
Licenses & Permits	519,255	201,950
Office Equipment and Supplies	248,433	93,428
Charitable Donations	172,417	10,011
Utilities	81,889	35,809
Insurance	78,757	26,045
Bank fees	60,169	23,645
Computer, Telephone, and Internet	34,417	17,564
<b>Total General and Administrative Expenses</b>	<b><u>\$ 11,039,124</u></b>	<b><u>\$ 4,540,518</u></b>

**10. MEMBERS' EQUITY**

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The authorized members' equity of the Company consists of Class A, B and C units. Total authorized shares by class are designated by the Board of Directors for specific purposes. Shares are issued directly or upon exercise of conversion of debt.

In 2014, the Company issued 100 shares of Class A units of Clinic Illinois Holdings, LLC, of which 75% are owned by GTI II, LLC and 25% by an unrelated third party. Contributions by members totaling \$5,958,500 were made during the year ended December 31, 2014, of which \$4,000,000 was repaid as distributions. These Class A units remain outstanding at December 31, 2016 and 2017 with a value of \$1,958,500 included in members' equity at January 1, 2016.

During the years ended December 31, 2017 and 2016, contributions by members, net of distributions to members, were \$31,403,537 and \$11,396,809, respectively, representing the issuance of Class B member units. In addition, at December 31, 2017, certain Class B unit holders owed the Company approximately \$2,786,000 for their share of capital committed to the Company, all of which was collected prior to May 16, 2018. Accordingly, this amount is included in members' equity with offset in the accompanying combined financial statements.

During the year ended December 31, 2017, 16.29 Class C shares were issued; however, no cash was received for these shares.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**11. NON-CONTROLLING INTEREST**

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In February 2017, an unrelated third party converted its note and accrued interest totaling \$2,279,452 for an approximate 42.5% interest (20 membership units) in GTI Nevada LLC. Subsequently, the third party contributed \$748,940 to GTI Nevada LLC, representing its share of total amounts contributed to expand retail operations.

In connection with an operating agreement reached in August 2017, GTI Core, LLC effectively assumed control over the operations of an entity which holds multiple Maryland licenses. This entity also contributed assets in exchange for an ownership interest in a GTI subsidiary. Both entities are included in the combined financial statements with a resulting non-controlling interest reflected therein.

**12. COMMITMENTS AND CONTINGENCIES**

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**(a) Office and Operating Leases**

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2028 and contain renewal provisions. Additionally, certain leases provide for rent abatement, and rent expense is calculated on straight-line basis over the terms of the leases with the incentives reported as deferred rent. The Company's net rent expense for the years ended December 31, 2017 and 2016, was approximately \$927,000 and \$197,000, respectively.

Certain facilities are occupied under the terms of lease agreements with related parties. The leases expire through 2024 and contain certain renewal provisions. Rent expense under these leases totaled \$144,000 and \$0 for the years ended December 31, 2017, and 2016, respectively.

Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

<u>Year Ending December 31</u>	<u>Third Parties</u>	<u>Related Parties</u>	<u>Total</u>
2018	\$ 964,311	\$ 447,328	\$ 1,411,639
2019	989,716	456,274	1,445,990
2020	925,154	465,400	1,390,554
2021	915,718	474,708	1,390,426
2022	726,757	378,817	1,105,574
2023 and Thereafter	1,604,343	349,322	1,953,665
<b>Total Future Minimum Lease Payments</b>	<b><u>\$ 6,125,999</u></b>	<b><u>\$ 2,571,849</u></b>	<b><u>\$ 8,697,848</u></b>

**(b) Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation at December 31, 2017, medical cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.



**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**12. COMMITMENTS AND CONTINGENCIES** *(Continued)*

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**(c) Claims and Litigation**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's combined operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

**13. RELATED PARTY TRANSACTIONS**

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**(a) Due from Related Party**

At December 31, 2017 and 2016, amounts due from related party consisted of:

	<u>2017</u>	<u>2016</u>
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52%.	\$ 605,000	\$ -
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raising activities; plus interest at 2%; note repaid on February 13, 2018.	575,000	-
Other	<u>8,686</u>	<u>-</u>
<b>Total Due from Related Party</b>	<b><u>\$ 1,188,686</u></b>	<b><u>\$ -</u></b>

**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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**Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities, short-term note payable, and long-term debt. The carrying values of these financial instruments approximate their fair values at December 31, 2017 and 2016.

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

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

There have been no transfers between fair value levels during the years ended December 31, 2017 and 2016.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

The following table summarizes the Company's financial instruments at December 31, 2017:

	<u>Loans and Receivables</u>	<u>Financial Liabilities</u>	<u>Total</u>
<b>Financial Assets:</b>			
Cash and Cash Equivalents	\$ 29,565,497	\$ -	\$ 29,565,497
<b>Financial Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 4,925,531	\$ 4,925,531
Income Tax Payable	\$ -	\$ 214,000	\$ 214,000
Current Portion of Notes Payable	\$ -	\$ 8,861,376	\$ 8,861,376
Distributions Payable to Members	\$ -	\$ 279,750	\$ 279,750
Notes Payable, Net of Current Portion	\$ -	\$ 7,206,673	\$ 7,206,673

The following table summarizes the Company's financial instruments as of December 31, 2016:

	<u>Loans and Receivables</u>	<u>Other Financial Liabilities</u>	<u>Total</u>
<b>Financial Assets:</b>			
Cash and Cash Equivalents	\$ 12,955,518	\$ -	\$ 12,955,518
<b>Financial Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,618,602	\$ 1,618,602
Current Portion of Notes Payable	\$ -	\$ 2,000,000	\$ 2,000,000

**Financial Risk Management**

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

**(a) Credit Risk**

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2017 and 2016 is the carrying amount of cash and cash equivalents. The Company does not have significant credit risk with respect to its customers. All cash and cash equivalents are placed with major U.S. financial institutions.

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

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT** *(Continued)*

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**(b) Liquidity Risk**

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

In addition to the commitments outlined in Note 12, the Company has the following contractual obligations:

	<u>&lt;1 Year</u>	<u>1 to 3 Years</u>	<u>3 to 5 Years</u>	<u>Total</u>
Accounts Payable and				
Accrued Liabilities	\$ 4,925,531	\$ -	\$ -	\$ 4,925,531
Income Tax Payable	\$ 214,000	\$ -	\$ -	\$ 214,000

**(c) Market Risk**

*(i) Interest Rate Risk*

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

*(ii) Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices. See Note 4 for the Company's assessment of certain changes in the fair value assumption used in the calculation of biological asset values.

**15. SUBSEQUENT EVENTS**

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**(a) GTI Restructuring (Illinois and non-Illinois Businesses)**

On January 1, 2018, GTI-Clinic Illinois Holdings, LLC (representing GTI's Illinois operations and ownership) and RCP23, LLC (representing GTI's non-Illinois operations that included Nevada, Pennsylvania, Massachusetts, and Maryland ownership) closed on a restructuring, which combined all of GTI's operational and ownership structure within VCP23, LLC. Prior to January 1, 2018, these businesses were managed by GTI senior management but had a slightly different shareholder base. As part of the restructuring, the owners of the GTI-Clinic Illinois Holdings, LLC and RCP23, LLC received approximately 42.5% and 57.5% of the Preferred and Common Units of VCP23, LLC respectively.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**15. SUBSEQUENT EVENTS** *(Continued)*

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**(b) iAnthus Debenture Investment**

On January 17, 2018, GTI, through a subsidiary named VCP Bridge, LLC, entered into a Debenture Purchase Agreement with iAnthus Capital Holdings, Inc. whereby GTI loaned \$20 million to iAnthus so that they could close on the purchase of a Florida medical cannabis business. As part of the Debenture Purchase Agreement, VCP Bridge, LLC received (i) an Unsecured Debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) a Warrant Certificate providing VCP Bridge, LLC with 10,040,000 iAnthus warrants at a price of \$1.9928 per common share. The Unsecured Debenture had a maturity of 12 months but had certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. On May 16, 2018, iAnthus completed a capital raise and subsequently repaid the outstanding principal of \$20 million and accrued interest of \$978,082 on the Unsecured Debenture. The 10,040,000 warrants associated with this investment remain outstanding and fully un-exercised.

**(c) Transaction with Firefly Dispensaries**

On February 14, 2018, GTI executed several agreements with KW Ventures Holdings, LLC, d/b/a/ Firefly Dispensaries, which received a medical cannabis dispensary license from the Pennsylvania Department of Health in 2017. The executed agreements include, but are not limited to (i) a Contribution Agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC, (ii) a Line of Credit which provides \$3 million in working capital to Firefly Dispensaries to finance working capital and buildout expenses to open its 3 retail dispensaries in Pennsylvania, and (iii) a Management Services Agreement for GTI to support the dispensary buildout and pre-operational activity of Firefly Dispensaries as well as the management of the dispensaries upon receiving regulatory approvals to sell to patients in Pennsylvania.

**(d) Letter of Intent**

On April 3, 2018, VCP23, LLC executed a letter of intent with a Florida MMTC license holder. The Company's LOI provides the owners of the FL MMTC license with consideration in the form of cash and VCP equity. Both parties have agreed to expedite the transaction and intend to execute a definitive purchase agreement prior to May 31, 2018.

**(e) VCP Convertible Debt Offering**

On April 30, 2018, VCP23, LLC completed a \$45 million private placement of 3-year unsecured convertible promissory notes to accredited investors. An initial \$25 million offering was 2x oversubscribed and the Company limited the final amount to \$45 million. The cash proceeds of the offering will be used for working capital and acquisition purposes. Terms of the offering include, but are not limited to, (i) an interest rate of 8% per annum simple interest, which will be paid "in kind" and added to the principal, (ii) if converted, a 20% discount on the valuation of a subsequent capital offering, public exchange offering, or a change of control event and (iii) if converted, subject to a specified valuation cap, exclusive of the convertible debt offering.

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Notes to Combined Financial Statements**  
**For the Years Ended December 31, 2017 and 2016**

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**15. SUBSEQUENT EVENTS** *(Continued)*

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**(f) Reverse Takeover**

On April 23<sup>rd</sup>, 2018, the Company entered into a letter of intent (the “Transaction”) with Bayswater Uranium Corporation (“Bayswater”) pursuant to which Bayswater would become the indirect holder of all of the issued and outstanding securities of GTI. Immediately prior to the Transaction, Bayswater will 1) complete a share consolidation on a 10 to 1 basis; and 2) complete a private placement to raise up to \$500,000. These events will result in an aggregate of approximately 5,574,000 post-consolidation shares outstanding pre-Transaction. Bayswater is based in Canada and is a “reporting issuer” in the Provinces of British Columbia and Alberta and as a result of the Transaction will become a “reporting issuer” in the Province of Ontario. It is intended that the Transaction will result in the listing of post-Transaction GTI shares on the Canadian Securities Exchange (“CSE”) as of the effective time of the Transaction. The Company expects the Transaction to be completed by June 15, 2018.

## **SUPPLEMENTAL INFORMATION**

**GREEN THUMB INDUSTRIES (GTI) GROUP OF COMPANIES**  
**Pro-Forma Revenue**  
**For the Year Ended December 31, 2017**  
**(Unaudited)**

STATE	Total Revenue \$(000's)	Intercompany Revenue (1)	Joint Venture Revenue (2)	Pro-Forma Revenue Acquired Entity (3)	Total	
					Pro-Forma Revenue Before Eliminations	Pro-Forma Revenue
Illinois	\$ 12,819	\$ 1,634	\$ 1,786	\$ 4,281	\$	\$ 20,520
Nevada	2,868	-	-	-	-	2,868
Maryland	842	138	-	-	-	980
Total	\$ 16,529	\$ 1,772	\$ 1,786	\$ 4,281	\$	\$ 24,368

(1) Intercompany revenue are eliminated in combination

(2) Revenue of a retail dispensary operated by the GTI Group of Companies in which it owns a 25% interest

(3) Pre-acquisition revenue of entity acquired on October 1, 2017

**SCHEDULE "C"**  
**MD&A OF BAYSWATER URANIUM CORPORATION**

*(See attached)*



# **BAYSWATER URANIUM CORPORATION**

## **Management's Discussion and Analysis**

### **Nine Months Ended November 30, 2017**

This Management's Discussion and Analysis ("MD&A") of Bayswater Uranium Corporation ("Bayswater" or the "Company") provides an analysis of the Company's financial results for the nine months ended November 30, 2017 and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the nine months ended November 30, 2017 and the related notes thereto, prepared in accordance with International Accounting Standard No.34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28, 2017 and the related notes thereto. All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is based on information available as at January 29, 2018.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, are complete and reliable.

Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Executive Summary**

The Company is a natural resource company engaged in the acquisition and exploration of uranium properties. The Company's principal exploration asset was its interest in the Reno Creek uranium property which it sold during August 2017 (see Investment in Reno Creek Property section below). The Company currently holds uranium interests in Saskatchewan.

The Company's listing was transferred from the TSX Venture Exchange ("TSX-V") to the NEX on September 12, 2017 and now trades under the symbol BYU.H.

#### **Forward-Looking Statements**

This MD&A may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this Interim MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect,"

"outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

All forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as required by law.

## **INVESTMENT IN AND SALE OF RENO CREEK PROPERTY**

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp., and American Uranium Corp. ("American"), for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property").

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC ("AUC"), a limited liability company, in consideration for the aggregate payment of US\$20,000,000 (\$20,026,000) to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at \$2,502,150. In consideration for a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$1,000,000 and issued 1,833,455 common shares of the Company valued at US\$1,000,000 (\$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into Reno

Creek Holdings Inc. (“RCHI”) (formerly 514565 Canada Inc. and formerly referred to as “Newco”) which held the Property indirectly through AUC LLC. PRRF initially held a 76.92% interest in RCHI and the Company initially held a 23.08% interest in RCHI. The Company’s cost of its 23.08% interest totaled \$8,250,678, which included an establishment fee of US\$700,000 and a finder’s fee of US\$1,000,000.

Prior to the beginning of the year ended February 28, 2017, the Company’s interest held in RCHI was reduced to 9.50% as a result of PRRF completing various investments in RCHI.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 of its 6,000,000 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of \$2,114,143 (US\$1,639,737) owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement. As a result of the debt settlement, the Company’s interest decreased to 3.09% and was then reduced further to 2.73% as a result of PRRF’s additional investment in RCHI during February 2017.

During the year ended February 28, 2017, the Company wrote down its investment in the Reno Creek property by \$163,138 (fiscal 2016 - \$922,806) to better reflect its estimated recoverable amount to be received on subsequent disposal of the investment.

During the nine months ended November 30, 2017, PRRF entered into a definitive share purchase agreement with Uranium Energy Corp. (“UEC”) (closed during August 2017) to sell all of PRRF’s issued and outstanding shares of RCHI and, indirectly thereby, 100% of the fully permitted Reno Creek.

The Company owned a 2.73% interest in RCHI and received notice from PRRF whereby PRRF exercised certain drag-along rights requiring the Company to sell its 2.73% interest in RCHI to UEC for prorated consideration identical to the consideration being issued to PRRF.

Under the terms of the agreement, during August 2017, UEC issued to the Company, in return for the Company’s 2.73% ownership interest in RCHI, the following:

- a) 409,170 common shares of UEC;
- b) 308,728 share purchase warrants of UEC, with each warrant entitling the holder to acquire one share of UEC at an exercise price of US\$2.30 per share for a period of five years from closing. The warrants will have an accelerator clause that provides that, in the event that the closing price of UEC’s common shares on its principally traded exchange is equal to or greater than US\$4.00 per share for a period of twenty consecutive trading days, UEC may accelerate the expiry date of the warrants to within thirty days by providing written notice to the holders; and
- c) At the Company’s election, the payment of US\$2,807 in lieu of a 0.01403% net profit interest royalty capped at US\$70,165.50.

The warrants were valued using the Black-Scholes pricing model using a volatility of 71.16%, a share price of US\$1.32, an expected life of 5 years and a discount rate of 0.85%.

In addition, the Company received a further cash payment of US\$24,630, representing the Company’s entitlement to cash remaining in RCHI as at closing.

All securities issued to the Company are subject to a four-month hold period pursuant to applicable securities legislation, and UEC has agreed to register the UEC shares issuable with the U.S. Securities and Exchange Commission for resale in the United States.

## **OTHER PROJECTS**

### **Brudell Property, Saskatchewan**

The Company owns a 100% interest in the Brudell property, which remains in good standing.

## **Future Plans and Outlook**

Given current market conditions, the Company has significantly reduced overhead and project expenditures. In addition, the Company sold its interest in the Reno Creek property (see Investment in and Sale of Reno Creek Property section above). As a result, the Company will commence investigation of new business opportunities.

## **Results of Operations**

### *Three months ended November 30, 2017*

The Company recorded a loss of \$58,893 during the three months ended November 30, 2017 (the “current period”) compared to a loss of \$98,185 incurred during the three months ended November 30, 2016 (the “comparative period”). The main reasons for the variance are as follows:

- 1) The Company recognized an unrealized gain on its marketable securities of \$4,079 during the current period compared to an unrealized loss of \$33,875 recognized during the comparative period.

### *Nine months ended November 30, 2017*

The Company recorded a loss of \$129,511 during the nine months ended November 30, 2017 (the “current nine-month period”) compared to a loss of \$140,806 during the nine months ended November 30, 2016 (the “comparative nine-month period”). The main reasons for the variance are as follows:

- 1) The Company recognized a foreign exchange gain of \$8,734 on its US\$-denominated payables during the current nine-month period compared to a \$111,089 foreign exchange gain recognized during the comparative-nine month period.
- 2) The Company recognized an unrealized gain on its marketable securities of \$8,904 during the current nine-month period compared to a \$465 unrealized loss recognized during the comparative nine-month period.
- 3) The Company recognized a realized gain on the sale of marketable securities of \$49,594 during the comparative nine-month period compared to \$Nil recognized during the current nine-month period.
- 4) The Company wrote down the carrying value of its investment in the Reno Creek project by \$140,837 during the comparative nine-month period with no corresponding write-down recorded during the current nine-month period.
- 5) The Company recognized a gain of \$15,103 on the sale of an exploration and evaluation asset during the current nine-month period.

**Quarterly Information**

	Three Months Ended Nov 30, 2017	Three Months Ended August 31, 2017	Three Months Ended May 31, 2017	Three Months Ended Feb 28, 2017
Total assets	\$ 1,048,181	\$ 1,101,967	\$ 1,150,954	\$ 1,174,104
Exploration and evaluation assets	1	1	957,157	957,157
Working capital deficiency	(587,961)	(529,182)	(1,497,506)	(1,428,576)
Income (loss) for the period	(58,893)	(1,231)	(69,387)	(65,129)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three Months Ended Nov 30, 2016	Three Months Ended Aug 31, 2016	Three Months Ended May 31, 2016	Three Months Ended Feb 29, 2016
Total assets	\$ 1,207,425	\$ 1,266,103	\$ 1,288,302	\$ 3,528,576
Exploration and evaluation assets	979,458	979,458	979,458	3,234,438
Working capital deficiency	(1,386,227)	(1,288,575)	(1,275,840)	(3,502,092)
Income (loss) for the period	(98,185)	(13,294)	(29,327)	(1,020,630)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.03)

**Fiscal 2018**

During the period from September 1, 207 to November 30, 2017, the Company's listing was transferred from the TSX Venture Exchange ("TSX-V") to the NEX.

During the period from June 1, 2017 to August 31, 2017, the Company sold its interest in the Reno Creek project and recognized a gain on disposition of \$14,117.

During the period from March 1, 2017 to May 31, 2017, total assets decreased by \$23,150. During this quarter, the Company announced the sale of its interest in the Reno Creek property (See Investment in and Sale of Reno Creek Property section above).

**Fiscal 2017**

During the period from December 1, 2016 to February 28, 2017, total assets decreased by \$33,321. The decrease was mainly due to the recognition of a further write-down of exploration and evaluation assets, offset by foreign exchange gain of \$122,591.

During the period from September 1, 2016 to November 30, 2016, total assets decreased by \$58,678. The decrease was mainly due to the recognition of a foreign exchange loss of \$16,695 and an unrealized loss on marketable securities of \$33,875.

During the period from June 1, 2016 to August 31, 2016, the Company sold marketable securities for proceeds totaling \$66,292. The Company recorded a realized gain on the sale of marketable securities of \$49,594.

From March 1, 2016 to May 31, 2016, total assets decreased by \$2,240,274. The decrease was mainly due to the reduction of exploration and evaluation assets of \$2,254,980 as a result of a debt settlement with

PRRF and cash used by operations. This was partially offset by a realized gain on marketable securities that was recorded during the quarter ended May 31, 2016.

### **Fiscal 2016**

From December 1, 2015 to February 29, 2016, total assets decreased by \$945,339. The decrease was mainly due to the write down of exploration and evaluation assets of \$922,806 and cash used by operations. This was partially offset by a realized gain on marketable securities that was recorded during the quarter ended February 29, 2016.

### **Liquidity and Capital Resources**

The Company commenced fiscal 2018 with a working capital deficiency of approximately \$1,428,500 and cash of \$130,900. As at November 30, 2017, the Company had a working capital deficiency of approximately \$588,000 and cash of \$29,323 along with marketable securities valued at \$993,736. Operating expenditures incurred during the nine months ended November 30, 2017 were primarily funded from cash on hand at February 28, 2017 and from collection of receivables.

Included in accounts payable and accrued liabilities is the balance of a finder's fee totaling \$676,240 (US\$525,000) associated with the acquisition of the Reno Creek Property.

For the year ending February 28, 2018, Bayswater anticipates incurring minimal exploration and property maintenance expenditures in order to maintain the Company's Brudell property. As a result of the sale of its Collins Bay Extension property during the year ended February 29, 2016, and the sale of marketable securities during the year ended February 28, 2017 and the sale of its interest in the Reno Creek property during the nine months ended November 30, 2017, the Company expects to have sufficient cash reserves to sustain operations beyond the 2018 fiscal year. Bayswater's main source of financing is through issuances of equity, proceeds from the sale of marketable securities and, potentially, proceeds from the sale of certain mineral properties.

The Company does not anticipate generating revenues in the near future and intends to continue its mineral exploration activities. These activities, along with further mineral acquisitions, will need to be funded through additional equity financings.

The Company's unaudited condensed consolidated interim financial statements for the nine months ended November 30, 2017 have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Financing opportunities for companies with early-stage exploration projects are limited at the present time and failure to re-finance the Company in Fiscal 2018 could result in the need to wind-down existing activities.

## Related party transactions

During the nine months ended November 30, 2017, the Company:

- a) Paid or accrued \$45,000 (2016 - \$45,000) for management fees to the current CEO of the Company.
- b) Paid or accrued \$15,750 (2016 - \$15,750) for administration fees and \$25,500 (2016 - \$25,500) for professional fees to a company associated with two officers of the Company.
- c) Accrued \$14,062 (2016 - \$14,063) for director fees.

Included in accounts payable and accrued liabilities at November 30, 2017 is \$911,686 (February 28, 2017 - \$806,753) owing to a company controlled by the former CEO of the Company, to the current CEO of the Company, to directors of the Company and to a company controlled by an officer of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the nine months ended November 30, 2017 and 2016 are as follows:

	2017	2016
Administration fees	\$ 15,750	\$ 15,750
Directors' fees	14,062	14,063
Management fees	45,000	45,000
Professional fees	<u>25,500</u>	<u>25,500</u>
	<u>\$ 100,312</u>	<u>\$ 100,313</u>

## Off-Balance Sheet Arrangements

The Company has no off-Balance Sheet arrangements as at the date of this report.

## Commitments

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of \$10,000 (amended to \$5,000 commencing March 1, 2016) and \$5,733 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

## Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for uranium and other metals can be volatile and there is no

assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

The Company is operating in Canada and the United States. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. At this time there are no currency hedges in place. All work is primarily carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

### **Accounting Standards Not Yet Effective**

The Company has not early adopted these standards, which are effective for annual periods beginning on or after March 1, 2017, and is assessing the impact that these standards will have on its financial statements:

- a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);
- b) IFRS 15 Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15); and
- c) IFRS 16 Leases (new)

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

### **Financial and Capital Risk Management**

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.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of amounts due from a related company and HST receivable due from the government of Canada.



### *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 liquidity risk through its capital management as outlined below. Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at November 30, 2017 of \$587,961. Included in accounts payable and accrued liabilities is a finder's fee totaling \$676,240 (US\$525,000) associated with the acquisition of the Reno Creek Property.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

#### b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At November 30, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	2,248
Accounts payable and accrued liabilities	(525,000)
Net exposure	(522,752)

Based on the above net exposure as at November 30, 2017, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by approximately \$52,000.

#### c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of mineral property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**Outstanding Share Data**

As at January 29, 2018, there were 30,739,548 common shares issued and outstanding. There are also 1,952,500 stock options with an exercise price of \$0.10 per share which expire on February 3, 2018. There are no warrants outstanding.

**SCHEDULE “D”  
ANNUAL AND INTERIM MD&A OF VCP23, LLC**

**ANNUAL MD&A of VCP 23, LLC**

*This management discussion and analysis (“MD&A”) of the financial condition and results of operations of VCP23, LLC (“GTI” or, the “Corporation”) is for the year ended December 31, 2017. It is supplemental to, and should be read in conjunction with, the Company’s audited combined financial statements and the accompanying notes for the year ended December 31, 2017. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Financial information presented in this MD&A is presented in United States dollars (“\$” or “US\$”), unless otherwise indicated.*

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

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

*All references to “\$” are to United States dollars unless otherwise specified.*

**OVERVIEW OF THE COMPANY**

GTI is a leading U.S. multi-state cannabis consumer goods Corporation that reaches over 75 million Americans with a portfolio of cannabis brands and award-winning, customer-first retail experiences that help people feel good and live better, every day.

As a vertically integrated Corporation with a consumer-centric “house of brands” approach, GTI manufactures and sells a well-rounded suite of branded cannabis products, targeted towards different customer segments, including flower, concentrates for dabbing and vaporizing, edibles, and topicals. GTI successfully distributes its portfolio of brands to 100% of open and operating retail stores in its active markets, some of which GTI owns as part of a rapidly growing 50-store national chain of retail cannabis stores called RISE Dispensaries.

Headquartered in Chicago, Illinois, GTI owns 58 operational licenses across seven highly regulated U.S. markets and is dedicated to providing dignified access to safe and effective cannabis nationwide, while giving back to the communities in which they serve. Established in 2015, GTI employs over 300 people and serves hundreds of thousands of customers from coast to coast. The Corporation was voted one of the Best Places to Work in 2018 by Crain’s Chicago Business.

**Operating Segments**

GTI wholly owns and operates two distinct but accretive business units: a wholesale cannabis consumer packaged goods business and a national retail dispensary chain called RISE Dispensaries.

The manufacturing and retail businesses are operational today and vertically integrated across seven highly regulated, limited licensed, and therefore limited legal supply markets: Nevada,

Illinois, Maryland, Massachusetts, Pennsylvania, Florida and Ohio. These markets, where supply and demand can be reasonably predicted and forecasted, create the foundation upon which GTI has created sustainable profitable growth.

Importantly, GTI is not yet active in markets popularized by mainstream media like California, Washington, Oregon, and Colorado where loose regulatory frameworks create unpredictable supply-demand market dynamics.

This combination – ownership of wholesale and retail – supports GTI’s strategy of distributing brands at scale by enabling GTI to capture large market share, generate brand awareness, and earn customer loyalty in its operating markets. By guaranteeing share of shelf in its own retail stores and its ability to foster mutually beneficial relationships with its third-party dispensary customers as a large supplier of a portfolio of distinct and trusted cannabis brands, the Corporation’s wholesale and retail businesses have proven to be more than additive such that one plus one equals three.

With data at a premium in a nascent and highly fragmented industry, the reach, accessibility and deployment of GTI’s businesses across multiple states and operating segments enables GTI to analyze and deploy resources with confidence to satisfy the needs of consumers, customers, the business, and investors.

## **HOUSE OF BRANDS WHOLESALE CANNABIS MANUFACTURING AND DISTRIBUTION**

GTI transforms raw cannabis flower into a “House of Brands” portfolio of consumer-packaged goods. Given the lack of a wholesale business to business marketplace for input ingredients like raw cannabis flower and purified cannabis oil, GTI gains leverage from being vertically integrated, and currently controls and operates 100% of the production supply chain, from seed to sale, with focus and prioritization on margin protected, value-add branding, sales and marketing.

Importantly, GTI does not strive to be long-term cannabis farmers, and anticipates that specialization and consolidation along the supply chain will force out high-cost providers, or those that fail to deliver a unique customer value proposition, and are therefore not capable of sustaining profit margin to withstand inevitable price compression of the commoditized portion of the supply chain.

GTI develops, manufactures and distributes a portfolio of branded cannabis products including brands rythm™, and Dogwalkers™, among others, to its retail partners, some of which GTI owns as a chain of retail stores called RISE™ branded dispensaries

To date, GTI has successfully navigated the complex and highly fragmented retail distribution network and has secured 100% retail distribution, with placement of its branded cannabis products in 97 out of 97 open and operating stores in the Corporation’s markets currently selling wholesale (Illinois and Maryland).

In the fledgling cannabis industry, for a Corporation in the branded consumer packaged goods business it is highly accretive to own the retail outlets which are singularly permitted to sell finished goods directly to consumers. This symbiotic relationship ensures the Corporation distribution and sales of its portfolio of branded products.

**GTI owns and operates a 50-store national chain of retail stores called RISE Dispensaries with mature revenue.**

With a deeply embedded community-minded philosophy, RISE takes on the name of each of the communities in which it operates (e.g. RISE Carson City, located in Carson City, Nevada). GTI wholly owns a national footprint of 50 retail licenses, with 13 stores open and operating and with 20+ open stores expected by the end of calendar year 2018.

The portfolio is strong and highly productive with same store sales averaging 80%+ and average annualized revenue per square foot exceeding \$2,300. The average selling footprint for the operating portfolio is 1,875 square feet. The productivity of the RISE retail portfolio is 2.5x greater than the \$974 per square foot cited for the average marijuana dispensary by *Marijuana Business Daily*<sup>22</sup>. A primary reason that the Company is able to generate sales per square foot greater than the industry average is the fact that it focuses on limited licensed markets where competition is more limited than other markets.

GTI aims to deliver a consistent, repeatable and reliable retail experience for consumers across its store base, enabled by its corporate operating structure and rooted in delivering legendary customer service by offering a wide assortment of safe and tested cannabis products at fair prices.

To meet the array of unique customer needs, GTI sells a variety of cannabis products at each of its RISE stores, totaling thousands of SKUs in managed inventory, comprehensive of product categories including: flower, concentrates for dabbing and for vaporizing (including disposable and pre-filled cartridges), topicals (bath and beauty products), and edibles (confection, beverages, snacks).

RISE dispensaries is not a low-cost provider, nor is it a boutique, premium outlet. Rather, GTI offers its variety at a range of price points following a “good, better, best” approach, offering opportunities for low barrier to entry trial as well as premium trade-up offerings.

**Operational Foundation in Seven Highly Regulated, Oligopolistic Markets**

**Illinois Operations**

The *Compassionate Use of Medical Cannabis Pilot Program Act*, which allows individuals diagnosed with a debilitating medical condition access to medical marijuana, became effective January 1, 2014 and is extended through July 1, 2020. There are over 35 qualifying conditions as part of the medical program, including epilepsy, traumatic brain injury, and PTSD. The Corporation owns and controls two of the 20 cultivation/processing licenses issued as well as four of the 60 retail dispensary licenses issued to service the entire state of over 12 million residents. Licenses were awarded based on merit in a highly competitive application process to applicants who demonstrated strong operational expertise and financial backing. There are over 38,000 registered patients across the state<sup>23</sup>.

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<sup>22</sup> <https://mjbizdaily.com/chart-of-the-week-cannabis-retailers-excel-in-key-revenue-metric/>

<sup>23</sup> <https://www2.illinois.gov/sites/mcppp/Pages/update06062018.aspx>

Illinois' retail market size for 2017 was over US\$85 million, representing an over 140% year-over-year increase. In the first three calendar months of 2018, recorded state-wide sales are already over 1/3 of the total market size for all of 2017. The first quarter net revenues of 2018 represent an approximate 14% sequential increase over the fourth quarter of 2017.

In March 2018, Cook County voters (which is the most populous county in the state, encompassing all of Chicagoland metro area) responded positively for state-wide recreational legalization with a 63% majority. Although the vote was non-binding, the voting leverage of Cook County, which encompasses more than 130 municipalities, is anticipated to play a significant role in the November 2018 gubernatorial elections for which numerous candidates have outwardly pledged their support for cannabis legislation<sup>24</sup>.

The Corporation operates two cultivation and processing facilities in Illinois and commands significant wholesale market share since its first sale on the first day for the State's program in November 2015. Since then, GTI has continued to optimize the branded assortment of products it distributes to the 55 out of 55 open and operating retail stores across the State. To continue to drive down cost of goods and expand capacity and capabilities in its most mature facility, the Corporation is undergoing construction and buildout of additional indoor cultivation capacity.

GTI owns and operates four of the 55 State-issued licenses. GTI was the first to sell cannabis to retail consumers on the first day of the program in November 2015.

The Illinois market contributed the majority of the Corporation's revenue for fiscal year ended December 31, 2017. It will remain a significant contributor in 2018, though continue to reduce in share of revenue as the rest of the GTI business expands and scales.

## **Nevada Operations**

Nevada became a medical marijuana state in 2001. In 2013, Nevada legislature passed SB374, providing for state licensing of medical marijuana establishments. On November 8, 2016, Nevada voters pass NRS 435D by ballot initiative allowing for the sale of marijuana for adult use starting on July 1, 2017. There are 115 cultivators, 80 producers, and 61 dispensaries licensed for adult-use in the entire state. Approximately 75% of the state licensed marijuana operations exist within Clark county / Las Vegas city limits, representing a densely populated competitive zone in an approximate 8,000 square foot area. The remaining 25% of licenses exist throughout the rest of the entire state, primarily in Northern Nevada.

In the first eight months of Nevada adult use sales, recreational retail sales have been reported at over US \$260 million, averaging almost US \$33 million per month and trending materially higher than forecasts submitted by the Nevada Department of Taxation.<sup>7</sup> The State has opened up applications for additional adult use licenses and given priority to businesses with current licenses, allowing for greater opportunity for the Corporation to increase the Nevada footprint at an expedited pace.

Whereas supply-demand market dynamics did not justify the buildout of a cultivation facility when the Corporation first acquired its licenses in early 2016, GTI maintained the license in good-standing such that now with increased demand from the commencement of recreational

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<sup>24</sup> <http://www.chicagotribune.com/suburbs/ct-evr-marijuana-referendum-tl-0329-20180320-story.html>

sales for adults 21+, market dynamics now warrant capital allocation. As such, the Corporation is completing the construction and buildout of a cultivation and processing facility in Northern Nevada, with estimated first sale of finished goods Q4 2018. The Corporation will begin by primarily manufacturing and distributing its portfolio of branded products throughout Nevada and to its own retail stores.

GTI owns and operates two RISE stores in Northern Nevada, one in the state capital of Carson City and one in Reno, Nevada. Open since September 2016 and October 2017, respectively, both stores currently sell cannabis products to all adults aged 21+. RISE Carson City was voted Best Customer service in 2017 and is the Corporation's flagship training center.

### **Maryland Operations**

In 2012, a State law was enacted in Maryland to establish a state-regulated medical marijuana program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission regulates the state program and awarded operational licenses in a highly competitive application process. 102 dispensary licenses were awarded out of a pool of over 800 applicants while an original 15 processing and 15 cultivation licenses were awarded out of a pool of over 150 applicants. The Corporation has controlling ownership over five retail dispensaries, one processing license, and one cultivation license.

As of April 2018, there were over 20,000 registered and certified patients in Maryland's medical marijuana program and over 550 medical practitioners registered to certify patients as eligible. The program was written to allow access to medical marijuana for patients with any condition that is considered "severe" for which other medical treatments have proven ineffective, including chronic pain, nausea, seizures, glaucoma and PTSD. All major product forms are allowed for sale and consumption with the exception of edibles. Some market estimates peg the medical market size to reach approximately US \$221 million by 2021.

In April 2018, Maryland lawmakers agreed to expand the state's medical marijuana industry by awarding another 20 licenses, seven for cultivation and 13 for processing. One of the seven newly granted cultivation permits was awarded to the Corporation as a priority applicant and allowed for an immediate pathway to full supply chain integration for the Corporation.

GTI is completing the construction and buildout plans for capacity expansion of the already existing and operating processing facility where it will cultivate flower which will serve as direct raw material input to the adjacent and already operating processing and manufacturing facility, which has contributed revenue since December 2017 and has already generated approximately \$1,000,000 monthly revenue in less than four months of operating, driven by consistently available and high quality branded finished goods with 100% retail distribution in the 42 open and operating retail stores. This figure excludes wholesale revenue of flower as a finished good, which the company expects to begin wholesale distributing toward the end of 2018, beginning of 2019. Flower is typically 50% of market demand as a product category.

In addition, the Corporation owns and operates five stores in Maryland, two of which are in the D.C. metro area. Three of the five are currently operating as of April 27, 2018, and the remaining two stores are under construction for openings scheduled in Q3 2018.

### **Pennsylvania Operations**

The Pennsylvania medical marijuana program was signed into law on April 17, 2016 under Act 16 and provided access to state residents with one of 17 qualifying conditions, including epilepsy, chronic pain, and PTSD. The state, which consists of over 12 million US citizens and qualifies as the 5th largest population in the US, operates as a high-barrier market with very limited market participation. The state originally awarded only 12 licenses to cultivate/process and 27 licenses to operate retail dispensaries (which entitled holders to up to three medical dispensary locations). Out of the hundreds of applicants in each license category, the Corporation was awarded the max number of licenses and was awarded the top dispensary score out of 280 applications and the top cultivation/processing score out of 177 applications.

Retail sales opened in February 2018 to a limited number of retail locations across the state. The Corporation's first of six controlled dispensaries opened its doors on April 18, 2018. As of April 2018, there were over 30,000 registered patients across the state which is quickly moving toward market size estimates of approximately US \$700 million by 2020<sup>25</sup>.

On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which will include 13 additional cultivation/processing licenses and 23 additional dispensary licenses. The application period ran from April 2018 through May 17, 2018. VCP submitted multiple dispensary applications and anticipates that the Pennsylvania Department of Health will announce the license awards in the fourth quarter of 2018.

In the introductory months of the program, the State's medical marijuana dispensaries experienced supply shortages and were unable to keep up with statewide demand. It was announced on April 17, 2018 that dry flower would be included in the regulations as an approved product form for sale and consumption (in addition to the already approved forms of concentrates, pills, and tinctures). Simultaneously, it was announced that the list of qualifying conditions would expand from 17 to 21, including additions of cancer remission therapy and opioid-addiction therapy.

The Corporation is on track for wholesale revenues to commence in Q2 2018. GTI is finalizing capacity expansion plans to accommodate the expected market demand for flower as a finished good. Flower as a product category is typically 50% of retail demand.

GTI owns and operates six retail locations under the banner RISE in the Northwest and South Central regions. Three retail stores are open and operating as of May 6, 2018, with the balance on-schedule openings slated for Q3 2018, one of which is located on a hospital campus.

### **Massachusetts Operations**

The Medical Use of Marijuana Program of Massachusetts was established following the ballot question three in the 2012 general election. Subsequently, voters legalized adult-use marijuana access on election night 2016. Being one of only a few adult-use states on the East Coast and with the sale of all product forms allowed, Massachusetts is widely considered to be one of the biggest legal marijuana markets between 2018-2020. As of April 2018, there were approximately 35 wholesale operating facilities licensed for business and 120 retail dispensaries licensed for consumer sales.10 Applications for adult-use sales opened on April 17, 2018.

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<sup>25</sup> <http://wnep.com/2018/04/16/pa-health-secretary-approves-dry-leaf-for-medical-marijuana-patients/>



As of March 31, 2018, Massachusetts had 24 retail dispensaries open for sales to over 48,000 registered and active patients across the state. In the 8 months since July 1, 2017, over 235,000 ounces of medical marijuana were dispensed across the state. 2017 retail sales have been estimated at over US \$100 million and are forecasted at over US \$1 billion by 2020 with the implementation of recreational sales<sup>26</sup>.

The Corporation owns three licenses to cultivate, process and distribute cannabis in Massachusetts, but importantly for capital efficiency has only allocated the buildout of only one facility to begin wholesale distribution of the Corporation's branded cannabis. GTI is currently growing cannabis in Massachusetts with estimated first sale of finished goods commencing Q4 2018.

GTI owns and operates three retail stores in Massachusetts, with the first completed and ready to open Q2 2018 in Amherst – one of the Nation's most densely populated college towns and what will be only one of three stores serving Western Massachusetts. The Corporation's remaining two stores are scheduled for openings in Q4 2018/Q1 2019 – one will add to the Western Massachusetts fleet and the other anticipated to be located in the Eastern urban corridor.

The Corporation's status as an existing medical marijuana license holder (three licenses under controlling ownership) gives it priority certification for adult-use licensing which would allow GTI to participate in the expanded market when adult use sales commence, expected to begin in late summer 2018.

## **Florida Operations**

In 2014, the Florida Legislature passed the Compassionate Use Act which was the first legal medical cannabis program in the state's history. The original Compassionate Use Act only allowed for low-THC cannabis (Charlotte's Web strain) to be dispensed and purchased by patients suffering from cancer and epilepsy.<sup>27</sup>

In 2016, the Legislature passed the Right To Try act which allowed for full potency cannabis to be dispensed to patients suffering from a diagnosed terminal condition. Also in 2016, the Florida Medical Marijuana Legalization Initiative was introduced by citizen referendum and passed with a 71.3% majority on November 8. This language amended the state constitution and mandated an expansion of the state's medical cannabis program.

Amendment 2, and the expanded qualifying medical conditions, became effective on January 3, 2017. The Florida Department of Health, physicians, dispensing organizations, and patients are bound by Article X Section 29 of the Florida Constitution and 381.986 Florida Statutes. On June 9, 2017, the Florida House of Representatives and Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017.

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<sup>26</sup> The Medical Use of Marijuana Program. (2018 April 17). Massachusetts Medical Use of Marijuana Program: External Dashboard. Retrieved from <https://www.mass.gov/files/documents/2018/04/17/2018-3-external-dashboard.pdf>.

<sup>27</sup> Florida Department of Health, Office of Medical Marijuana Use; May 4, 2018 [http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/\\_documents/180504-bi-weekly-update.pdf](http://www.floridahealth.gov/programs-and-services/office-of-medical-marijuana-use/ommu-updates/_documents/180504-bi-weekly-update.pdf)

As of May 4, 2018, there were 106,348 patients in the registry, 13 approved medical marijuana treatment centers (of which 6 are cultivation only), and 34 approved retail dispensing locations. The law regulating Amendment 2 provides for another four licenses to be issued for every 100,000 patients added to the state's medical marijuana registry and would allow growers to open 25 dispensaries, plus an additional five dispensaries for every 100,000 patients.<sup>28</sup>

The Corporation has executed a definitive agreement for a vertically integrated license to cultivate, process, and sell cannabis. The license entitles GTI to open and operate up to 25 retail stores across the State. GTI is identifying real estate in marquee, high traffic locations for expected store openings by the end of 2018.

The Corporation has consolidated financials across all of its operating businesses. For the purpose of analysis, GTI considers two operating business units – Wholesale and Retail – with perspectives by each operating market: Nevada, Illinois, Maryland, Pennsylvania, Massachusetts, and Florida.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following is selected financial data derived from the audited annual consolidated financial statements of the Corporation as at December 31, 2016 and December 31, 2017.

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

	<b>As of and for the</b>	
	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
Total Revenues, net of discounts	\$ 16,528,779	\$ 7,213,711
Cost of Goods Sold (excluding biological assets)	\$ 10,446,801	\$ 5,824,544
Gross Profit	\$ 7,143,253	\$ 2,101,415
Total Expenses	\$ 11,490,772	\$ 4,663,670
Operating Income (Loss)	\$ (4,347,519)	\$ (2,562,255)
Total Assets	\$ 87,072,469	\$ 35,479,555
Long-Term Liabilities	\$ 3,007,778	\$ -

### ***Year Ended December 31, 2016 Compared to Year Ended December 31, 2017***

#### *Revenue*

Revenue for fiscal year ended December 31, 2017 was \$16,528,779, an increase of \$9,315,068, or 129%, compared to revenue of \$7,213,711 for prior fiscal year ended December 31, 2016. The increase in revenue was driven by a full fiscal year of revenue from the retail business in Nevada, which contributed revenue growth of 376% vs. 2016, out of a single retail

<sup>28</sup>Marijuana Policy Project; October 10, 2017 <https://www.mpp.org/states/florida/>

store. Expansion of the Illinois wholesale and retail businesses drove the balance of growth, up 93% and 86% vs. prior fiscal year, respectively. Growth of the Illinois wholesale business was due to expansion of product offerings and increased distribution to third-party retailers; and retail performance was driven by the opening and acquisition of two more stores, for a total of four, the combination of which command significant market share. Finally, first-time wholesale and retail sales contributed from the Maryland market commenced in December 2017.

For the years ended December 31, 2017 and 2016, amounts recorded as revenues are net of allowances, discounts, and rebates totaling \$556,814 and \$139,612, respectively.

#### *Cost of Goods Sold & Biological Assets*

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for fiscal year ended December 31, 2017 was \$10,446,801, an increase of \$4,622,257 or 79% over cost of goods sold, excluding any adjustments to the fair value of biological assets, for fiscal year ended December 31, 2016, driven by the expansion of wholesale and retail business units in Illinois and Nevada.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Biological asset transformation totaled a net gain of \$1,061,275, for fiscal year ended December 31, 2017, up 49% or \$349,027 from prior fiscal year ended December 31, 2016.

#### *Gross Profit*

Gross profit before biological asset adjustments for the fiscal year ended December 31, 2017 was \$6,081,978, representing a gross margin on the sale of cannabis, cannabis extractions and edibles and from related accessories of 36.8%. This is compared to gross profit before biological asset adjustments for the fiscal year ended December 31, 2016 of \$1,389,167, which represented a 19.3% gross margin.

Gross profit after net gains on biological asset transformation for fiscal year ended December 31, 2017 was \$7,143,253, representing a gross margin of 43.2%, compared with gross profit after net gains on biological asset transformation of \$2,101,415, or 29.1% gross margin, for the fiscal year ended December 31, 2016.

#### *Total Expenses*

Total expenses for fiscal year ended December 31, 2017 were \$11,490,772, an increase of \$6,827,102 or 146%, compared to total expenses of \$4,663,670 for fiscal year ended December 31, 2016, which represents 69.5% of revenue for the fiscal year ended December 31, 2017 compared to 64.6% of revenue for the prior year. Increase in total expenses was attributable to

an increase in general and administrative expenses, particularly sales & benefits of \$3,961,245 which represented an increase over 2016 of \$2,679,499 due to an increase in headcount from the Corporation's operating markets in Illinois, Nevada and Maryland, and start-up headcount of Massachusetts and Pennsylvania.

Additionally, the Corporation had professional fees of \$3,517,892 in 2017 which represented an increase to 2016's professional fees of \$1,616,338. This increase is due to the change in volume and complexity of accounting and legal services required by the Corporation after its ramp up of new operating markets and acquisitions.

#### *Total Other Income (Expense)*

Total other income for fiscal year ended December 31, 2017 was \$111,951, an increase of \$645,867 compared to prior fiscal year ended December 31, 2016.

#### *Provision for Income Taxes*

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For fiscal year ended December 31, 2017, Federal and State income tax expense totaled \$214,000 compared to no provision for income taxes for the prior fiscal year ended December 31, 2016. It is computed on taxable income of GTI Nevada LLC, in which GTI Core, LLC holds a 57.5% ownership interest. In 2017, GTI Core, LLC elected to be taxed as a C Corporation. For the years ended December 31, 2017 and 2016, all of the other GTI Group of Companies were treated as limited liability companies and, accordingly, taxable income and losses flowed through to the respective members.

On January 1, 2018, the Corporation closed on a restructuring of its Illinois operation and ownership with its non-Illinois operations (which included Nevada, Pennsylvania, Massachusetts, and Maryland ownership), which combined all of the Corporation's operational and ownership structure. Prior to January 1, 2018, these businesses were managed by the Corporation's senior management. In 2018, the GTI Core, LLC will continue to be taxed as a C Corporation.

#### *Net Operating Loss*

Net operating loss for fiscal year ended December 31, 2017 was \$4,347,519, an increase of \$1,785,264, or 70%, compared to a net loss of \$2,562,255 for fiscal year ended December 31, 2016. The increase in net operating loss was driven by the factors described above.

### **Drivers of our Results of Operations**

#### *Revenue*

The Corporation derives its revenue from both its wholesale and retail business in which it manufactures, sells and distributes packaged cannabis products to third-party retail customers, and from direct sales to end consumers in its retail stores. For the fiscal year ended December 31, 2017, approximately 39.9% of revenue was generated from the wholesale business and 60.1% from the retail business, respectively. Revenue was contributed approximately 77.6% from Illinois operations, 17.4% Nevada operations, 5.1% from Maryland operations.

We expect the proportion of wholesale-based revenue to increase gradually throughout the the Corporation's fiscal year 2018 as the Massachusetts and Pennsylvania markets become operational (both expected in the second quarter 2018), and as the Corporation's distribution footprint scales. However, we don't expect material shifts in the revenue split between wholesale and retail segments until fiscal year 2019 due to the Corporation's planned expansion and opening of approximately 12 to 15 more retail dispensaries in the remaining periods of fiscal year 2018.

### *Gross Profit*

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Over the past two years, execution on the Corporation's national expansion strategy and revenue growth have taken priority. We expect to continue our growth strategy for the foreseeable future as the Corporation expands its footprint within its current markets with acquisitions and partnerships and scales resources into new markets. In the markets in which we are already operational, we expect to realize gradual price compression as these state markets mature which will put downward pressure on both our retail and wholesale gross margins. However, the Corporation's current production capacity has not been fully realized and it is expected that price compression at the wholesale level will be more than offset by the scalability of our production facilities and continued realization of significant distribution market share. As a result, the Corporation expects overall consolidated gross margins (before the adjustment for the unrealized gain or loss in the fair value of biological assets) to steadily increase over the foreseeable future.

### *Total Expenses*

Total expenses other than the cost of goods sold consist of selling costs to support our customer relationships and to deliver product to our retail stores. It also includes a significant investment in marketing and brand activities and the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, we expect selling costs to remain relatively flat in our currently operational markets (Illinois, Nevada, Maryland) and increase in our up and coming markets as our business continues to grow there (Massachusetts, Pennsylvania, Florida). The increase is expected to be driven primarily by the growth of our Retail and Wholesale channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses represent costs incurred at our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, share-based compensation and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our aggressive expansion plans and to support the increasing complexity of the cannabis business. Furthermore, we expect to continue

to incur acquisition and transaction costs related to our expansion plans, and we anticipate a significant increase in stock compensation expenses related to recruiting and hiring talent, accounting, legal and professional fees associated with being a publicly traded company.

### *Provision for Income Taxes*

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Corporation operates in the legal cannabis industry, the Corporation is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

### **Liquidity, Financing Activities During the Period, and Capital Resources**

As at December 31, 2017, the Corporation had total current liabilities of \$18,780,657 (December 31, 2016 had \$3,618,602) and cash and cash equivalents of \$29,565,497 (December 31, 2016 had \$12,955,518) to meet its current obligations. As at December 31, 2017, the Corporation had working capital of \$20,924,367 compared to \$12,802,739 at December 31, 2016.

On January 17, 2018, the Corporation, through a subsidiary, entered into a debenture purchase agreement with iAnthus Capital Holdings, Inc. whereby the subsidiary loaned \$20 million to iAnthus so that they could purchase a Florida medical cannabis business. As part of the debenture purchase agreement, the subsidiary received (i) an unsecured debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) 10,040,000 iAnthus warrants at an exercise price of \$1.9928 per common share expiring January 17, 2021. The unsecured debenture matures in 12 months but has certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. The subsidiary was capitalized by the Corporation and a group of private investors.

On February 14, 2018, the Corporation executed several agreements with KW Ventures Holdings, LLC, doing business as Firefly Dispensaries, which received a medical cannabis dispensary license from the Pennsylvania Department of Health in 2017. The executed agreements include, but are not limited to (i) a contribution agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC, (ii) a line of credit which provides \$3 million in working capital to Firefly Dispensaries to finance working capital and buildout expenses to open its three retail dispensaries in Pennsylvania, and (iii) a management services agreement for the Corporation to support the dispensary buildout and pre-operational activity of Firefly Dispensaries as well as the management of the dispensaries upon receiving regulatory approvals to sell to patients in Pennsylvania.

On April 30, 2018, VCP23, LLC completed a private placement financing of approximately \$45 million private placement of 3-year unsecured convertible promissory notes. An initial \$25 million offering was almost 2x oversubscribed and the Corporation limited the final amount to approximately \$45 million. The cash proceeds from the transaction will be used for working capital and acquisition purposes.

In addition to the working capital and recent convertible promissory note private placement described above, the Corporation intends to generate adequate cash to fund its business

operations. However, the Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Initiatives in U.S. markets outside of those already within the Corporation's platform are expected in the coming months. Accordingly, the Corporation expects to raise additional capital, both in the form of debt and new equity offerings, during the next fiscal year

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

## **Cash Flows**

### *Cash Used in Operating Activities*

Net cash used in operating activities was \$4.29 million for the year ended December 31, 2017, an increase of \$0.84 million, or 24.4%, compared to \$3.45 million for the year ended December 31, 2016. The increase in net cash used in operating activities was primarily due to an increase in net loss of \$0.95 million, a \$0.35 million increase in accounts payable, a \$0.26 million increase in prepaid expenses and other current assets.

### *Cash Flow from Investing Activities*

Net cash used in investing activities was \$24.84 million for the year ended December 31, 2017, an increase of \$20.39 million, or 458.0%, compared to \$4.45 million for the year ended December 31, 2016. The increase in net cash used in investing activities was primarily due to an increase in purchases of property and equipment to expand into new medical markets of \$13.11 million, and an increase from acquisitions of existing retail businesses of \$10.37 million.

### *Cash Flow from Financing Activities*

Net cash provided by financing activities was \$45.74 million for the year ended December 31, 2017, an increase of \$32.34 million, or 241.4%, compared to \$13.40 million for the year ended December 31, 2016. The increase in net cash provided by financing activities was primarily due to an increase in capital contributions from members of \$54.76 million, and an increase in cash received from issuance of notes payable of \$13.00 million, partially offset by increases in distributions to members of \$34.00 million.

## **Contractual Obligations**

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
Long Term Debt	\$ 7,315,415	\$ 1,188,087	\$ 4,547,199	\$ 1,580,130	Nil
Capital Lease Obligations	Nil	Nil	Nil	Nil	Nil
Operating Leases	\$ 8,697,848	\$ 1,411,639	\$ 4,226,970	\$ 1,976,551	\$ 1,082,688
Purchase Obligations <sup>1</sup>	Nil	Nil	Nil	Nil	Nil
Other Long Term Obligations <sup>2</sup>	\$ 1,252,634	\$ 200,000	\$ 600,000	\$ 400,000	\$ 52,634

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Total Contractual Obligations	\$ 17,265,897	\$ 2,799,726	\$ 9,374,169	\$ 3,956,681	\$ 1,135,322

NOTES:

- 1 "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Corporation that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
- 2 "Other Long Term Obligations" means other long-term liabilities reflected on the Issuer's balance sheet.

The financial performance and its cash flows for the years ended in December 31, 2017 and 2016 were evaluated in accordance with International Financial Reporting Standards. All future financial documents will be reported under IFRS.

### Off-Balance Sheet Arrangements

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

### Transactions with Related Parties

At December 31, 2017 and 2016, amounts due from related parties consisted of:

	2017	2016
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52% <sup>(1)</sup>	\$605,000	\$ -
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raisings activities; plus interest at 2%; note repaid on February 13, 2018 <sup>(2)</sup>	\$575,000	\$ -
Other <sup>(3)</sup>	\$8,686	\$ -
<b>Total Due from Related Party</b>	<b>\$1,188,686</b>	<b>\$ -</b>

**Notes:**

- (1) The Promissory Note in the amount of \$605,000, dated December 15, 2017, was entered into by GTI Pennsylvania, LLC, a Pennsylvania limited liability company and Wendy Berger for the purpose of acquiring real estate for the Corporation's medical marijuana dispensary in Erie, Pennsylvania. Wendy Berger is a member of VCP's Board of Directors. The loan was satisfied by Wendy Berger and GTI Pennsylvania, LLC subsequently became the owner of such real estate as of January 1, 2018.
- (2) The Promissory Note in the amount of \$575,000, dated July 20, 2017, was entered into by Vision Management Services, LLC, a Delaware limited liability company and Mosaic Real Estate Sparks, LLC, an Illinois limited liability company for the purpose of acquiring real estate for the Corporation's medical and adult use dispensary in Sparks, Nevada. Wendy Berger is an owner of Mosaic Real Estate Sparks, LLC and is a member of VCP's Board of Directors. The Promissory Note was repaid by Mosaic Real Estate Sparks, LLC on February, 13, 2018.



- (3) Miscellaneous expenses and receipts related to the acquisition of real estate in Erie, Pennsylvania by Wendy Berger.

## **Proposed Transactions**

VCP has a contribution agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC.

VCP executed a definitive agreement for the acquisition of a vertically integrated Florida license which includes cultivation, processing and up to 25 retail licenses and expects to close on the definitive agreement in the fourth quarter of 2018.

## **Changes in or Adoption of Accounting Practices**

There were no new standards effective December 31, 2016 that had an impact on the Corporation's combined financial statements. The following IFRS standards have been recently issued by the IASB. The Corporation is assessing the impact of these new standards on future combined financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Corporation have been excluded herein.

### *IFRS 7, Financial instruments: Disclosure*

IFRS 7, Financial instruments: Disclosure was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

### *IFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

### *IFRS 15, Revenue from Contracts with Customers*

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

## **CRITICAL ACCOUNTING ESTIMATES**

The Corporation makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing

basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

#### *Estimated Useful Lives and Depreciation of Property and Equipment*

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

#### *Estimated Useful Lives and Amortization of Intangible Assets*

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

#### *Business Combinations*

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

in subsequent periods. However, the measurement period will last for one year from the acquisition date.

### *Goodwill Impairment*

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

### *Deferred Tax Asset and Valuation Allowance*

Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Corporation will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted.

## **Financial Instruments and Financial Risk Management**

The Corporation's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities; short-term note payable; and long-term debt. The carrying values of these financial instruments approximate their fair values. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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

## **Financial Risk Management**

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

### **Credit Risk**

Credit risk is the risk of a potential loss to the Corporation if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure is the carrying amount of cash and cash equivalents. The Corporation does not have significant credit

risk with respect to customers. All cash and cash equivalents are placed with major U.S. financial institutions.

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

### **Liquidity Risk**

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

### **Market Risk**

#### *Currency Risk*

The operating results and financial position of the Corporation are reported in U.S. dollars. Some of the Corporation's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

The Corporation has no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

#### *Interest Rate Risk*

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

#### *Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

## INTERIM MD&A of VCP23, LLC

*This management discussion and analysis (“MD&A”) of the financial condition and results of operations of VCP23, LLC (“GTI” or, the “Corporation”) is for the three months March 31, 2018. It is supplemental to, and should be read in conjunction with, the Company’s audited combined financial statements and the accompanying notes for the three months ended March 31, 2018. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Financial information presented in this MD&A is presented in United States dollars (“\$” or “US\$”), unless otherwise indicated.*

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

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

*All references to “\$” are to United States dollars unless otherwise specified.*

### OVERVIEW OF THE COMPANY

GTI is a U.S. multi-state cannabis consumer goods Corporation that reaches over 75 million Americans with a portfolio of cannabis brands and award-winning, customer-first retail experiences that help people feel good and live better, every day.

Headquartered in Chicago, Illinois, GTI owns and operates 7 cultivation and manufacturing facilities and a 50-store retail chain across seven highly regulated U.S. markets and is dedicated to providing dignified access to safe and effective cannabis nationwide, while giving back to the communities in which they serve. Established in 2015, GTI employs over 300 people and serves hundreds of thousands of customers from coast to coast. The Corporation was voted one of the Best Places to Work in 2018 by Crain’s Chicago Business.

### Operating Segments

The Corporation has consolidated financials across its operating businesses. For the purpose of analysis, GTI considers two operating business units – Wholesale and Retail – in which it manufactures, sells and distributes packaged cannabis products to third-party retail customers, and from direct sales to end consumers in its retail stores, with perspectives by each operating market: Nevada, Illinois, Maryland, Pennsylvania, Massachusetts, Florida and Ohio.

As of the three months ended March 31, 2018, GTI has operating revenue in three of its seven markets: Nevada, Illinois, and Maryland and ramp up expenses related to build out of new markets Massachusetts and Pennsylvania in preparation for revenue generation as of the second quarter of 2018.

### SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited consolidated financial statements of the Corporation for the three months ending March 31, 2018 and March 31, 2017.

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

	<b>As of and for the</b>	
	<b>First Quarter Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Total Revenues, net of discounts	\$ 10,925,898	\$ 3,018,649
Cost of Goods Sold (excluding biological assets)	\$ 6,212,963	\$ 1,946,738
Gross Profit	\$ 4,863,980	\$ 2,917,872
Total Expenses	\$ 6,255,638	\$ 2,195,208
Operating Income (Loss)	\$ (929,419)	\$ 1,217,556
Total Assets	\$ 104,729,363	\$ 87,157,281
Long-Term Liabilities	\$ 3,007,778	\$ -

### ***Three Months Ended March 31, 2018***

#### *Revenue*

Revenue for the three months ended March 31, 2018 was \$10,925,898, up 262% from \$3,018,649 for three months ended March 31, 2017 due to revenue contributions across both Wholesale and Retail business units from Illinois, Nevada, and Maryland. Key performance drivers are: expansion of branded product offerings and increased retail distribution from the Illinois and Maryland Wholesale businesses of GTI's portfolio of branded consumer cannabis products, and continued increases in new Retail customers across all three markets. In particular, retail growth was driven by new store openings and acquisitions: notably, revenue from two Illinois stores which were acquired in October 2017, the opening of three RISE stores in Maryland, the September 2017 opening of a second RISE store in Nevada, and the commencement of adult use sales for both RISE Nevada stores as of January 1, 2018, all incremental compared to the three months ending March 31, 2017.

#### *Cost of Goods Sold & Biological Assets*

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis and from retail purchases made from other licensed producers operating within our state markets.

Three months ended March 31, 2018 cost of goods sold, excluding any adjustments to the fair value of biological assets, of \$6,212,963 was up \$4,266,225 or 219% compared to three months ended March 31, 2017, driven by the first full quarter of Wholesale and Retail businesses in Maryland and material increases in daily transactions from the onset of adult use sales for the Nevada Retail business.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis.

When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

#### *Gross Profit*

Gross profit before biological asset adjustments for the three months ended March 31, 2018 was \$4,712,935, representing a gross margin on the sale of branded cannabis flower and processed and packaged products including concentrates, edibles, topicals, vaporizers, of 43%. This is compared to gross profit before biological asset adjustments for the three months ended March 31, 2017 of \$1,071,911 or a 36% gross margin.

Gross profit after net gains on biological asset transformation for three months ended March 31, 2018 was \$4,863,980, representing a gross margin of 45%, compared with gross profit after net gains on biological asset transformation of \$2,917,872 or 97% gross margin, for the three months ended March 31, 2017, driven by increased harvested cannabis and wholesale shipments.

#### *Total Expenses*

Total expenses for three months ended March 31, 2018 were \$6,255,638, an increase of \$4,060,430, compared to three months ended March 31, 2017, which represents 57% of revenue for the three months ended March 31, 2018, down from 73% of revenue for the prior year.

Increase in total expenses was attributable to an increase in general and administrative expenses, particularly salaries & benefits of \$3,332,347 which represented an increase over 2017 of \$596,948 due to an increase in headcount from the Corporation's retail and wholesale facilities in Illinois, Nevada and Maryland, and start-up headcount of Massachusetts and Pennsylvania.

Additionally, the Corporation had professional fees of \$1,020,859 in three months ended March 31, 2018 which remained flat to first quarter professional fees in the prior year.

#### *Total Other Income (Expense)*

Total other income for three months ended March 31, 2018 was \$462,239, down \$32,653 compared to prior three months ended March 31, 2017.

#### *Provision for Income Taxes*

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For three months ended March 31, 2018, Federal and State income tax expense totaled \$35,000 compared to no provision for income taxes for the prior three months ended March 31, 2017.

On January 1, 2018, the Corporation closed on a restructuring of its Illinois operation and ownership with its non-Illinois operations (which included Nevada, Pennsylvania, Massachusetts, and Maryland ownership), which combined all of the Corporation's operational and ownership structure. Prior to January 1, 2018, these businesses were managed by the Corporation's senior management.

### *Net Operating Loss*

Net operating loss for three months ended March 31, 2018 was \$929,419, an increase of \$2,146,975 for three months ended March 31, 2017. The increase in net operating loss was driven by the factors described above, namely business expansion.

### **Drivers of our Results of Operations**

#### *Revenue*

The Corporation derives its revenue from both its wholesale and retail business in which it manufactures, sells and distributes packaged cannabis products to third-party retail customers, and from direct sales to end consumers in its retail stores.

For the three months ended March 31, 2018, revenue was contributed from both wholesale and retail business units in Illinois, Nevada, and Maryland.

#### *Gross Profit*

Gross profit is revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Gross margin measures our gross profit as a percentage of revenue.

Over the three months ended March 31, 2018, the Corporation continues to be focused on executing sustainable profitable growth of the Corporation's base business while pursuing national expansion. GTI expects to continue our growth strategy for the foreseeable future as the Corporation expands its footprint within its current markets with acquisitions and partnerships and scales resources into new markets, such as Massachusetts and Pennsylvania.

In the markets in which GTI is already operational, we expect to realize gradual price compression as these state markets mature which will put downward pressure on both our retail and wholesale gross margins. However, the Corporation's current production capacity has not been fully realized and it is expected that price compression at the wholesale level will be more than offset by the scalability of our production facilities and continued realization of significant distribution market share. As a result, the Corporation expects overall consolidated gross margins (before the adjustment for the unrealized gain or loss in the fair value of biological assets) to steadily increase over the foreseeable future.

#### *Total Expenses*

Total expenses other than the cost of goods sold consist of selling costs to support our customer relationships and to deliver product to our retail stores. It also includes a significant investment in marketing and brand activities and the corporate infrastructure required to support ongoing business.



Selling costs generally correlate to revenue. As a percentage of sales, we expect selling costs to remain relatively flat in our currently operational markets (Illinois, Nevada, Maryland) and increase in our up and coming markets as our business continues to grow (Massachusetts, Pennsylvania, Florida, Ohio). The increase is expected to be driven primarily by the growth of our Retail and Wholesale channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses represent costs incurred at our corporate offices, primarily related to personnel costs, including salaries, incentive compensation, benefits, share-based compensation and other professional service costs, including legal and accounting. We expect to continue to invest considerably in this area to support our aggressive expansion plans and to support the increasing complexity of the cannabis business. Furthermore, we expect to continue to incur acquisition and transaction costs related to our expansion plans, and we anticipate a significant increase in stock compensation expenses related to recruiting and hiring talent, accounting, legal and professional fees associated with being a publicly traded company.

#### *Provision for Income Taxes*

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Corporation operates in the legal cannabis industry, the Corporation is subject to the limits of IRC Section 280E under which the Corporation is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

#### **Liquidity, Financing Activities During the Period, and Capital Resources**

As at three months ended March 1, 2018, the Corporation had total current liabilities of \$14,996,035 (March 31, 2017 had \$14,280,657) and cash and cash equivalents of \$18,920,337 (March 31, 2017 had \$29,565,497) to meet its current obligations. As at March 31, 2018, the Corporation had working capital of \$35,524,301 up \$10,015,122 or 39% compared to three months ended March 31, 2017.

On January 17, 2018, the Corporation, through a subsidiary, entered into a debenture purchase agreement with iAnthus Capital Holdings, Inc. whereby the subsidiary loaned \$20 million to iAnthus so that they could purchase a Florida medical cannabis business. As part of the debenture purchase agreement, the subsidiary received (i) an unsecured debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) 10,040,000 iAnthus warrants at an exercise price of \$1.9928 per common share expiring January 17, 2021. The unsecured debenture matures in 12 months but has certain early repayment provisions in the event of subsequent capital offerings made by iAnthus. The subsidiary was capitalized by the Corporation and a group of private investors.

On February 14, 2018, the Corporation executed several agreements with KW Ventures Holdings, LLC, doing business as Firefly Dispensaries, which received a medical cannabis dispensary license from the Pennsylvania Department of Health in 2017. The executed agreements include, but are not limited to (i) a contribution agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC, (ii) a line of credit which provides \$3 million in working capital to Firefly Dispensaries to finance working capital and buildout

expenses to open its three retail dispensaries in Pennsylvania, and (iii) a management services agreement for the Corporation to support the dispensary buildout and pre-operational activity of Firefly Dispensaries as well as the management of the dispensaries upon receiving regulatory approvals to sell to patients in Pennsylvania.

On April 30, 2018, VCP23, LLC completed a private placement financing of \$45 million of 3-year unsecured convertible promissory notes. An initial \$25 million offering was approximately 2x oversubscribed and the Corporation limited the final amount to approximately \$45 million. The cash proceeds from the transaction will be used for working capital and acquisition purposes.

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

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

## **Cash Flows**

### *Cash Used in Operating Activities*

Net cash used in operating activities was \$2,388,209 for the three months ended March 31, 2018, an increase of \$1,245,961 compared to the three months ended March 31, 2017. The increase in net cash used in operating activities was primarily due to an increase in net loss of \$2,798,525 and a \$798,793 increase in accounts receivable.

### *Cash Flow from Investing Activities*

Net cash used in investing activities was \$26,541,176 for the three months ended March 31, 2018, an increase of \$25,395,473, compared to \$1,128,422 for the three months ended March 31, 2017. The increase in net cash used in investing activities was due to a \$20,000,000 investment in iAnthus Debentures in January 2018. Part of the debenture purchase agreement, through a subsidiary received (i) an unsecured debenture with a principal amount of \$20,000,000 accruing interest at the rate of 15% per annum, and (ii) 10,040,000 iAnthus warrants at an exercise price of \$1.9928 per common share expiring January 17, 2021. The subsidiary was capitalized by the Corporation and a group of private investors.

### *Cash Flow from Financing Activities*

Net cash provided by financing activities was \$18,284,225 for the three months ended March 31, 2018, an increase of \$16,974,349 compared to \$1,309,876 for the three months ended March 31, 2017. The increase in net cash provided by financing activities was primarily due to an increase in capital contributions from members of \$19,412,610.

## Off-Balance Sheet Arrangements

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

## Transactions with Related Parties

At March 31, 2018 and 2017, amounts due from related parties consisted of:

	2018	2017
Note receivable dated December 15, 2017, principal due by December 31, 2018, plus interest at 1.52% <sup>(1)</sup>	\$ -	\$ 605,000
Note receivable from Firefly Dispensaries dated February 14, 2018 due the 6 months after the date of termination of the Services Agreement or the one year anniversary of the Note; plus interest at 10% <sup>(2)</sup>	\$ 2,000,000	\$ -
Note receivable dated July 20, 2017, principal due the earlier of July 19, 2018 or upon the achievement of defined capital raisings activities; plus interest at 2%; note repaid on February 13, 2018 <sup>(2)</sup>	\$ -	\$ 575,000
Other <sup>(3)</sup>	\$ 141,007	\$ 8,686
Total Due from Related Party	\$ 2,141,007	\$ 1,188,686

### Notes:

- (1) The Promissory Note in the amount of \$605,000, dated December 15, 2017, was entered into by GTI Pennsylvania, LLC, a Pennsylvania limited liability company and Wendy Berger for the purpose of acquiring real estate for the Corporation's medical marijuana dispensary in Erie, Pennsylvania. Wendy Berger is a member of VCP's Board of Directors. The loan was satisfied by Wendy Berger and GTI Pennsylvania, LLC subsequently became the owner of such real estate as of January 1, 2018.
- (2) The Promissory Note in the amount of \$2,000,000 dated February 14, 2018, was entered into by GTI Pennsylvania, LLC, a Pennsylvania limited liability company and KW Ventures Holdings, LLC, d/b/a Firefly Dispensaries. The promissory note is part of a \$3,000,000 working capital line to credit to support dispensary build out and pre-operating activities.
- (3) The Promissory Note in the amount of \$575,000, dated July 20, 2017, was entered into by Vision Management Services, LLC, a Delaware limited liability company and Mosaic Real Estate Sparks, LLC, an Illinois limited liability company for the purpose of acquiring real estate for the Corporation's medical and adult use dispensary in Sparks, Nevada. Wendy Berger is an owner of Mosaic Real Estate Sparks, LLC and is a member of VPC's Board of Directors. The Promissory Note was repaid by Mosaic Real Estate Sparks, LLC on February, 13, 2018.
- (4) Miscellaneous expenses and receipts related to the acquisition of real estate in Erie, Pennsylvania by Wendy Berger.

## Proposed Transactions

VCP has a contribution agreement for the future acquisition of the equity in Firefly Dispensaries, subject to applicable regulatory approvals, in exchange for a 9.9% direct membership interest in GTI Pennsylvania, LLC.

VCP executed a definitive agreement for the acquisition of a vertically integrated Florida license which includes cultivation, processing and up to 25 retail licenses and expects to close on the definitive agreement in the fourth quarter of 2018.

### **Changes in or Adoption of Accounting Practices**

There were no new standards effective December 31, 2016 that had an impact on the Corporation's combined financial statements. The following IFRS standards have been recently issued by the IASB. The Corporation is assessing the impact of these new standards on future combined financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Corporation have been excluded herein.

#### *IFRS 7, Financial instruments: Disclosure*

IFRS 7, Financial instruments: Disclosure was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

#### *IFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

#### *IFRS 15, Revenue from Contracts with Customers*

The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

### **CRITICAL ACCOUNTING ESTIMATES**

The Corporation makes judgements, estimates and assumptions about the future that affect the reported amounts of assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

The preparation of the Corporation's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates

and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the combined financial statements are described below.

#### *Estimated Useful Lives and Depreciation of Property and Equipment*

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

#### *Estimated Useful Lives and Amortization of Intangible Assets*

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

#### *Business Combinations*

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

#### *Goodwill Impairment*

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the

value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

#### *Deferred Tax Asset and Valuation Allowance*

Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Corporation will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted.

### **Financial Instruments and Financial Risk Management**

The Corporation’s financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities; short-term note payable; and long-term debt. The carrying values of these financial instruments approximate their fair values. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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

### **Financial Risk Management**

The Corporation is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Corporation mitigates these risks by assessing, monitoring and approving the Corporation’s risk management processes:

#### **Credit Risk**

Credit risk is the risk of a potential loss to the Corporation if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure is the carrying amount of cash and cash equivalents. The Corporation does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major U.S. financial institutions.

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

## **Liquidity Risk**

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

## **Market Risk**

### *Currency Risk*

The operating results and financial position of the Corporation are reported in U.S. dollars. Some of the Corporation's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

The Corporation has no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### *Interest Rate Risk*

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

### *Price Risk*

Price risk is the risk of variability in fair value due to movements in equity or market prices.

**SCHEDULE "E"**  
**CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER**

*(See attached)*



**GTI**  
**Pro Forma Consolidated Statement of Financial Position**  
**As at March 31, 2018**  
**(Unaudited)**

	GTI Group of Companies	Bayswater Uranium Corporation	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	(\$ USD)	(\$ USD)		(\$ USD)	(\$ USD)
	As at				
	As at March 31, 2018	February 28, 2018			
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 18,920,337	\$ 414,760			
			2b)	45,000,000	
			2d)	483,000	
			2f)	67,000,000	
			2g)	(3,200,000)	
			2i)	(2,000,000)	\$ 126,618,097
Investments	20,000,000	-	2a)		20,000,000
Accounts receivable	2,156,322	19,413		-	2,175,735
Due from investors	1,001,000	-		-	1,001,000
Due from related party	2,141,007	-		-	2,141,007
Inventories	5,156,798	-		-	5,156,798
Biological assets	500,204	-		-	500,204
Prepaid and other current assets	644,668	1,551		-	646,219
<b>Total current assets</b>	<b>50,520,336</b>	<b>435,724</b>		<b>107,283,000</b>	<b>158,239,060</b>
Property and equipment, net	38,086,813	863		-	38,087,676
Intangible assets, net	14,168,434	-	2h)	35,126,705	49,295,139
Goodwill	188,260	-		-	188,260
Deposits and other	1,765,520	-		-	1,765,520
<b>Total assets</b>	<b>\$ 104,729,363</b>	<b>\$ 436,587</b>		<b>\$ 142,409,705</b>	<b>\$ 247,575,655</b>
<b>Liabilities and (Deficiency) Equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	5,099,024	569,705		-	5,668,729
Current portion of notes payable	8,899,261	-	2c)	(7,500,000)	1,399,261
Income tax payable	718,000	-		-	718,000
Distributions payable to members	279,750	-		-	279,750
<b>Total current liabilities</b>	<b>14,996,035</b>	<b>569,705</b>		<b>(7,500,000)</b>	<b>8,065,740</b>
Deferred rent	344,888	-		-	344,888
Deferred income taxes	145,000	-		-	145,000
Notes payable, net of current portion	7,666,727	-		-	7,666,727
<b>Total liabilities</b>	<b>\$ 23,152,650</b>	<b>\$ 569,705</b>		<b>\$ (7,500,000)</b>	<b>\$ 16,222,355</b>
<b>(Deficiency) Equity</b>					
Unit/share capital	76,996,926	65,162,401	2c)	7,500,000	
			2b)	45,000,000	
			2d)	483,000	
			2e)	(65,162,401)	
			2e)	2,878,522	
			2f)	67,000,000	
			2g)	(3,200,000)	
			2h)	35,126,705	231,785,153
Non-controlling interest	4,579,787	-		-	4,579,787
Contributed surplus	-	13,050,571	2e)	(13,050,571)	
Retained earnings/deficit	-	(78,346,090)	2a)		
			2e)	78,346,090	
			2e)	(3,011,640)	
			2i)	(2,000,000)	(5,011,640)
<b>Total (deficiency) equity</b>	<b>81,576,713</b>	<b>(133,118)</b>		<b>149,909,705</b>	<b>231,353,300</b>
<b>Total liabilities and (deficiency) equity</b>	<b>\$ 104,729,363</b>	<b>\$ 436,587</b>		<b>\$ 142,409,705</b>	<b>\$ 247,575,655</b>

**GTI**  
**Pro Forma Consolidated Statement of Loss**  
**For the Three Months Ended March 31, 2018**  
**(Unaudited)**

	GTI Group of Companies	Bayswater Uranium Corporation	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	(\$ USD)	(\$ USD)		(\$USD)	(\$ USD)
	<i>Three months ended March 31, 2018</i>	<i>Twelve month period ended February 28, 2018</i>			
Revenue, net of discounts	\$ 10,925,898	\$ -		\$ -	\$ 10,925,898
Cost of goods sold	(6,212,963)	-		-	(6,212,963)
Gross Profit before biological adjustment	4,712,935	-		-	4,712,935
Unrealized gain on biological asset transformation	1,831,219	-		-	1,831,219
Cost of goods sold on biological asset transformation	(1,680,174)	-		-	(1,680,174)
Gross profit	4,863,980	-		-	4,863,980
Expenses					
General and administrative	5,851,896	183,001		-	6,034,897
Sales & marketing	170,113	-		-	170,113
Depreciation and amortization	233,629	-		-	233,629
Total expenses	6,255,638	183,001		-	6,438,639
(Loss) Gain from operation	(1,391,658)	(183,001)		-	(1,574,659)
Other income (expense):					
Other (expense) income	833,344	28,256	2a)	3,400,000	4,261,600
Listing expense	-	-	2e)	(3,011,641)	-
			2i)	(2,000,000)	(5,011,641)
Interest expense	(371,105)	-		-	(371,105)
Gain on Forgiveness of Debt	-	377,880		-	377,880
Total other income (expense)	462,239	406,136		(1,611,641)	(743,266)
Loss before provision for income taxes	(929,419)	223,135		(1,611,641)	(2,317,925)
Provision for income taxes	35,000	-		-	35,000
Net loss before non-controlling interest	(964,419)	223,135		(1,611,641)	(2,352,925)
Net loss attributable to non-controlling interest	616,550	-		-	-
Net loss attributable to GTI Group of Companies	\$ (1,580,969)	\$ 223,135		\$ (1,611,641)	\$ (2,352,925)
Weighted average shares outstanding	136,931,409				
Pro forma loss per share	\$ (0.02)				

**GTI**  
**Pro Forma Consolidated Statement of Loss**  
**For the Year Ended December 31, 2017**  
**(Unaudited)**

	GTI Group of Companies	Bayswater Uranium Corporation	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	(\$ USD)	(\$ USD)		(\$USD)	(\$ USD)
	Year ended December 31, 2017	Twelve month period ended November 30, 2017			
Revenue, net of discounts	\$ 16,528,779	\$ -		\$ -	\$ 16,528,779
Cost of goods sold	(10,446,801)	-		-	(10,446,801)
Gross Profit before biological adjustment	6,081,978	-		-	6,081,978
Unrealized gain on biological asset transformation	6,905,712	-		-	6,905,712
Cost of goods sold on biological asset transformation	(5,844,437)	-		-	(5,844,437)
Gross profit before biological adjustment	7,143,253	-		-	7,143,253
Expenses					
General and administrative	11,039,124	184,993		-	11,224,117
Sales & marketing	190,384	-		-	190,384
Depreciation and amortization	261,264	-		-	261,264
Total expenses	11,490,772	184,993		-	11,675,765
Gain (loss) from operation	(4,347,519)	(184,993)		-	(4,532,512)
Other income (expense):					
Other (expense) income	544,399	30,222	2a)	3,400,000	3,974,621
Listing expense	-	-	2e)	(3,011,641)	-
			2i)	(2,000,000)	(5,011,641)
Interest expense	(432,448)	-		-	(432,448)
Foreign exchange gain (loss)	-	-		-	-
Total other income (expense)	111,951	30,222		(1,611,641)	(1,469,468)
Loss before provision for income taxes	(4,235,568)	(154,771)		(1,611,641)	(6,001,980)
Provision for income taxes	214,000	-		-	214,000
Net loss before non-controlling interest	(4,449,568)	(154,771)		(1,611,641)	(6,215,980)
Net loss attributable to non-controlling interest	(402,042)	-		-	-
Net loss attributable to GTI Group of Companies	(4,047,526)	(154,771)		(1,611,641)	(6,215,980)
Weighted average shares outstanding	136,931,409				
Pro forma loss per share	\$ (0.05)				

**Bayswater Uranium Corporation and Green Thumb Industries Inc.**

**Notes to Pro Forma Consolidated Financial Statements  
Prepared in USD  
(Unaudited)**

**1. Basis of Presentation**

The accompanying unaudited pro forma consolidated financial statements of Bayswater Uranium Corporation (“Bayswater”) has been prepared by management to reflect the amalgamation of Green Thumb Industries Inc. (“GTI” or “Resulting Issuer”) and Bayswater after giving effect to the proposed transactions (the “Transaction”) as described in Note 2.

The unaudited pro forma financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The unaudited financial statements of Bayswater as at and for the period ended February 28, 2018.
2. The unaudited financial statements of GTI Group of Companies as at and for the quarter ended March 31, 2018.

The unaudited pro forma consolidated statement of financial position of GTI as at March 31, 2018 and Bayswater as at February 28, 2018 has been presented assuming the Transaction had been completed on March 31, 2018. The Bayswater statement of financial position had been prepared in Canadian dollars. For purposes of the unaudited pro forma consolidated statement of financial position the numbers have been translated into USD using an exchange rate of 1 USD for 1.29 CAD.

The unaudited pro forma consolidated statements of comprehensive loss of GTI for the quarter ended March 31, 2018 has been presented assuming the Transaction had been completed on April 1, 2018.

The unaudited pro forma consolidated statement of loss for the quarter ended March 31, 2018 includes the unaudited consolidated statement of loss of Bayswater for the 12-month period ended February 28, 2018. This statement has been constructed from the unaudited consolidated statement of loss of Bayswater for the nine-month period ended November 30, 2017, adding the results for the three month period ended February 28, 2018. For purposes of the unaudited pro forma consolidated statement of loss the numbers have been translated into USD using an exchange rate of 1 USD for 1.29 CAD.

The Transaction has been accounted for in accordance with IFRS 2, Share Based Payments. The Transaction has been accounted for in the unaudited pro forma consolidated statement of financial position as a continuation of the financial statements of GTI., together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of Bayswater, in return for the net assets of Bayswater and a re-capitalization of the equity of GTI. The fair value of the deemed share issuance was determined based on the fair value of the units issued by GTI.

No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Bayswater and GTI, as management does not anticipate any material costs or cost savings as a result of this Transaction.

The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the Transaction been in effect at the date indicated.

**Bayswater Uranium Corporation and Green Thumb Industries Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**Prepared in USD**  
**(Unaudited)**

**2. Pro Forma Assumptions and Adjustments**

On June 12, 2018 Bayswater entered into a definitive agreement with GTI Group of Companies pursuant to which it would become the indirect holder of all the issued and outstanding securities of GTI Group of Companies through a reverse take-over. Immediately prior to the Transaction, Bayswater will complete a share consolidation resulting in an aggregate of 500,439 post-consolidation common shares outstanding pre-Transaction.

Immediately prior to close of the Transaction a roll-up will be consummated whereby GTI Group of Companies will become owned by GTI. In return the former owners of GTI Group of Companies will receive 110,824,726 fully diluted subordinate voting shares of GTI.

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments:

- a) On January 17, 2018, GTI (through its subsidiary VCP Bridge, LLC) entered into a debenture purchase agreement with iAnthus Capital Holdings, Inc. (“iAnthus”) whereby GTI loaned \$20 million to iAnthus. As part of the agreement GTI received (i) an unsecured debenture with a principal amount of \$20 million accruing interest at the rate of 15% per annum, and (ii) a warrant certificate providing GTI with 10,040,000 iAnthus warrants at a price of \$1.9928 per common share. The warrants were valued at \$3,400,000 using the Black Scholes model and have been accounted for as income given the short-term maturity of the debenture.
- b) In April 2018 GTI (through its predecessor VPC23, LLC) completed a non-brokered private placement comprised of \$45,000,000 worth of convertible promissory notes of the GTI. For the purposes of the consolidated pro forma statement of financial position the debentures have been accounted for as converted. The proceeds of \$45,000,000 have been allocated to unit capital and it is anticipated that 12,465,301 fully diluted subordinate voting shares of GTI will be issued on conversion.
- c) In April 2018 GTI converted approximately \$7,500,000 of notes payable into fully diluted subordinate voting shares of GTI. The shares issued on conversion have been included within the 110,824,726 fully diluted subordinate voting shares issued on the roll-up.
- d) On June 1, 2018, Bayswater completed a private placement for approximately \$483,000 (\$620,000 CDN).

**Bayswater Uranium Corporation and Green Thumb Industries Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**Prepared in USD**  
**(Unaudited)**

- e) Share capital, contributed surplus and the deficit of Bayswater are eliminated.

Deemed issuance of Resulting Issuer	
Common Shares to former Bayswater's shareholders	<u>\$2,878,522</u>
Cash	\$ 414,760
Marketable securities	-
Other assets	21,827
Accounts payable and accrued liabilities	(569,705)
Transaction costs expensed	<u>3,011,640</u>
Value attributed to deemed Resulting Issuer shares issued	<u>\$2,878,522</u>

- f) Concurrently with the Transaction, GTI intends to complete a private placement of 11,200,000 subscription receipts at a price of \$6.00 per subscription receipt (the "Private Placement") for gross proceeds of up to approximately \$67,000,000. Concurrently with the closing of the Transaction each subscription receipt will automatically convert into one subordinate voting share of the Resulting Issuer.
- g) The agents in the Private Placement will receive as compensation 8.0% of the gross proceeds raised from the sale of the subscription receipts (provided that the 8.0% fee be reduced to 4.0% in respect of sales to a "president's list"). Additionally, the agents will receive warrants that are exercisable to acquire subordinate voting shares equal to 4.0% of the total sale of the subscription receipts (provided that the number of warrants be reduced to equal 2.0% in respect of sales to a "president's list"). The exercise price on these warrants will be equal to the issue price of the subscription receipts, which is assumed to be \$6.00 as of the date of this document.
- h) Concurrently with the Transaction GTI intends on issuing 5,989,974 fully diluted subordinate voting shares to acquire 100% of a joint venture. The debit side of the transaction has been set up as an unallocated intangible asset valued at \$6.00/share.
- i) Costs associated with the Transaction are estimated to be \$2,000,000.

**Bayswater Uranium Corporation and Green Thumb Industries Inc.**  
**Common Share Continuity**  
**Prepared in USD**  
**(Unaudited)**

	REF	Resulting Issuer	
		# of shares	\$
GTI roll-up	2	110,824,726	76,996,926
GTI promissory note conversion	2c)	-	7,500,000
GTI convertible promissory note conversion	2b)	12,465,301	45,000,000
Deemed issuance of shares to former Bayswater shareholders	2e)	500,439	2,878,522
Concurrent financing	2f)	11,200,000	67,000,000
Concurrent financing - issue costs	2i)	285,200	(3,200,000)
Shares issued on JV acquisition	2h)	5,989,974	35,126,705
Total share capital		141,265,640	231,302,153