

VIREO HEALTH INTERNATIONAL, INC.



LISTING STATEMENT - FORM 2A

IN CONNECTION WITH THE LISTING OF THE SHARES OF VIREO HEALTH INTERNATIONAL, INC., THE ENTITY FORMERLY KNOWN AS DARIEN BUSINESS DEVELOPMENT CORP., AFTER THE REVERSE TAKEOVER BY VIREO HEALTH, INC.

March 19 , 2019

Vireo Health International, Inc. derives a substantial portion of its revenues from the cannabis industry in certain states of the United States of America, which industry is illegal under United States federal law. Vireo Health International, Inc. is directly involved (through its licensed subsidiaries) and indirectly involved (through its non-licensed subsidiaries) in the cannabis industry in the United States where state and local laws permit such activities. Currently, its Operational Subsidiaries are directly engaged in the cultivation, manufacture, possession, sale and/or distribution of cannabis in the medicinal cannabis marketplaces in the states and territories of Arizona, Maryland, Massachusetts, Minnesota, New Mexico, New York, Nevada, Ohio, Pennsylvania, Puerto Rico and Rhode Island and is actively pursuing expansion into the adult-use cannabis marketplaces in Massachusetts, Nevada and California. Third party service providers could suspend or withdraw services as a result of Vireo Health International, Inc. operating in an industry that is illegal under U.S. federal law.

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 U.S. 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. With the Cole Memorandum rescinded, U.S. federal prosecutors were given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. On November 7, 2018, Jeff Sessions resigned from his position as Attorney General, and his Chief of Staff, Matthew Whitaker, a former U.S. Attorney for the Southern District of Iowa, was appointed Acting Attorney General. In December 2018, President Donald Trump announced that he would nominate William P. Barr to be Attorney General. Mr. Barr said in testimony to the Senate, on January 15, 2019, that cannabis companies operating legally according to state laws where the cultivation and sale of the drug is allowed will not face action by the Justice Department. Mr. Barr was confirmed as Attorney General on February 14, 2019. However, 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 number of federal prosecutions of state-legal cannabis operations is 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. If the Department of Justice policy under William Barr were 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 Corporation 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, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

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, Vireo Health International, 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.

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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 Darien Business Development Corp. (the “**Corporation**”), Vireo Health International, Inc. (the “**Resulting Issuer**”), Vireo Health, Inc. (“**Vireo**”), Vireo Finco (Canada) Inc. (“**Canadian Finco**”), 1197027 B.C. LTD, a British Columbia incorporated wholly-owned subsidiary of the Corporation (“**B.C. Subco**”), and Darien Merger Sub, LLC, a Delaware formed wholly-owned subsidiary of the Corporation (“**U.S. Subco**”). In addition, the Corporation, Vireo 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, Vireo, Canadian Finco, U.S. Subco or B.C. Subco 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, Vireo, Canadian Finco, U.S. Subco or B.C. Subco that address activities, events or developments that the Corporation, the Resulting Issuer, Vireo, Canadian Finco, U.S. Subco or B.C. Subco 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 and medical 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 (including those under the heading “Risk Factors”) and described from time to time in documents filed by the Corporation, Vireo, 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 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 Vireo 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 Vireo'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, Vireo, Canadian Finco, U.S. Subco or B.C. Subco, 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, Vireo, Canadian Finco, U.S. Subco or B.C. Subco. 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, Vireo, Canadian Finco, U.S. Subco and B.C. Subco and/or persons acting on their behalf may issue. None of the Corporation, the Resulting Issuer, Vireo, Canadian Finco, U.S. Subco or B.C. Subco 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 have been obtained from third-party sources, including industry publications. Vireo believes that the industry data are accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this information. 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 are believed to be reliable, Vireo 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 "\$" in this Listing Statement refer to United States dollars and all references to "C\$" in this Listing Statement refer to Canadian dollars.

Information Concerning Vireo

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

“1776 Hemp” means 1776 Hemp LLC, a New York limited liability company and a wholly owned subsidiary of Vireo;

“Acquisitions” has the meaning ascribed thereto in Section 3.1 *General Development of the Business – Ongoing Acquisitions*;

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

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

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 Business Combination*.

“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).

"Canadian Finco" means Vireo Finco (Canada) Inc., a corporation existing under the laws of the Province of British Columbia.

"B.C. Subco" means 1197027 B.C. LTD, a wholly-owned subsidiary of the Corporation which will amalgamate with Canadian Finco pursuant to the Business Combination.

"Business Combination" means the acquisition of Vireo and Canadian Finco by the Corporation, as contemplated by the transactions described in the Definitive Agreement.

"C201" means MJ Distributing C201, LLC, a Nevada limited liability company, which upon closing of the acquisition by Vireo, will be a wholly-owned subsidiary of Vireo that owns medical and adult-use cultivation licenses issued by the State of Nevada.

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

"Class D Financing" has the meaning ascribed thereto in Section 3.1 – *Financing Activities*.

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

"Common Shares" means the issued and outstanding common shares of the Corporation prior to the Business Combination.

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

"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 **"Darien"** means Darien Business Development Corp. and its subsidiaries, on a consolidated basis, prior to the Business Combination.

"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, B.C. Subco, Canadian Finco, Vireo, and U.S. Subco on February 13, 2019.

"EHF" means Elephant Head Farm, LLC, an Arizona limited liability company and upon closing of the acquisition by Vireo, will be a wholly-owned subsidiary of Vireo, which operates the cultivation and processing business of an Arizona non-profit licensee pursuant to a management agreement.

"Eight Capital" means Eight Capital.

“Escrow Agent” means Odyssey Trust Company.

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

“FDA” means the United States Food and Drug Administration.

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

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

“High Gardens” means High Gardens, Inc., a wholly owned subsidiary of Vireo with a medical cannabis cultivation and processing license issued by the State of Rhode Island.

“Industrial Equipment Company” has the meaning ascribed thereto at Section 4.1(1) *Summary of Operating Businesses*.

“Initial Holder” has the meaning ascribed thereto in Section 10 *Description of the Securities*.

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

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

“JVCo” has the meaning ascribed thereto at Section 4.1(1) *Summary of Operating Businesses*.

“JVCo Products” has the meaning ascribed thereto at Section 4.1(1) *Summary of Operating Businesses*.

“Letter Agreement” means the letter of intent entered into by the Corporation and Vireo dated January 10, 2019.

“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.

“MaryMed” means MaryMed, LLC, a Maryland limited liability company, which is a wholly owned subsidiary of Vireo that has one medical cannabis cultivation license and one processor license issued by the State of Maryland. It has received Phase I approval of a dispensary license and is in the process of completing Phase II approval.

“Midwest Hemp” means Midwest Hemp Research LLC, a Minnesota limited liability company and a wholly owned subsidiary of Vireo that has one industrial hemp license.

“MinnMed” means Minnesota Medical Solutions, LLC, a Minnesota limited liability company and a wholly owned subsidiary of Vireo that has one retail dispensary license.

“MMCC” means Maryland Medical Cannabis Commission.

“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*.

“**NSOs**” 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*.

“**Operational Subsidiaries**” means the Resulting Issuer’s 13 operational medical-cannabis subsidiaries (assuming closing of the Acquisitions), 1776 Hemp LLC, C201, EHF, High Gardens, RMA, PAMS, Pennsylvania Dispensary Solutions, P123, MinnMed, MaryMed, Silver Fox, Vireo NY and XAAS which in total operate six manufacturing facilities (located in Arizona, New Mexico, New York, Pennsylvania, Minnesota, Maryland, and Rhode Island) and 11 dispensaries (own and operate four in New York and four in Minnesota, and operate two in New Mexico and one in Arizona).

“**P132**” means MJ Distributing P132, LLC, a Nevada limited liability company, which upon closing of the acquisition by Vireo, will be a wholly-owned subsidiary of Vireo that owns medical and adult-use cannabis processing licenses issued by the State of Nevada.

“**PAMS**” means Pennsylvania Medical Solutions, LLC a Pennsylvania limited liability company and wholly-owned subsidiary of Vireo that has one medical cannabis cultivation and processing license issued by the Commonwealth of Pennsylvania.

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

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

“**Plan**” means the 2019 equity incentive plan the Resulting Issuer proposes to adopt.

“**Preferred Stock**” means the issued and outstanding class A, class B, class C, and class D preferred stock of Vireo prior to the Business Combination.

“**PSE Agreement**” has the meaning ascribed thereto in Section 3.1 *General Development of the Business*.

“**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 Vireo Health International, Inc., the entity formerly known as Darien Business Development Corp., after the reverse takeover by Vireo.

“**RMA**” means Retail Management Associates, an Arizona limited liability company which upon closing of the acquisition by Vireo, will be a wholly owned subsidiary of Vireo which will operate the dispensary business of an Arizona non-profit licensee pursuant to a management agreement.

“**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*.

“**Silver Fox**” means Silver Fox Management, Inc., a New Mexico corporation which upon closing of the acquisition by Vireo, will be a wholly owned subsidiary of Vireo, which operates the business of a New Mexico non-profit licensee pursuant to a management agreement.

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

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

“Subscription Receipt Financing” has the meaning ascribed thereto in Section 3.1 *General Development of the Business – The Business Combination*.

“Subscription Receipts” has the meaning ascribed thereto in Section 3.1 *General Development of the Business – The Business Combination*.

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

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

“TSXV” means the TSX Venture Exchange.

“Vipex Joint Venture” has the meaning ascribed hereto at Section 4.1(1) *Summary of Operating Businesses*.

“U.S. Subco” means Darien Merger Sub, LLC, a Delaware formed wholly owned subsidiary of the Corporation which will merge with and into Vireo pursuant to the Business Combination.

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

“Vireo” means Vireo Health, Inc. and where the context requires, includes its subsidiaries;

“Vireo Affiliated Entities” has the meaning ascribed thereto in Section 3.1.

“Vireo Exchange” has the meaning ascribed thereto in Section 3.1.

“Vireo Nutraceutical” means the nutraceutical company Vireo has entered into a non-binding letter of intent to acquire. The company operates a 50,000 square foot facility in Minnesota that is FDA registered and inspected, as well as NSF certified.

“Vireo NY” means Vireo Health of New York LLC, formerly known as Empire State Health Solutions LLC, a New York limited liability company and wholly-owned subsidiary of Vireo which has a medical cannabis cultivation, processing and dispensary license and operates a cultivation/processing facility and four dispensaries in the state of New York.

“Vireo Spectrum” has the meaning ascribed thereto in Section 4.1(3) *Production and Sales – Production*.

“Vireo Warrant” means the outstanding common share purchase warrants to purchase class D preferred stock of Vireo granted pursuant to the Vireo Financing at \$45 per share of class D preferred stock.

“Working Capital” means the working capital of a corporation, as the context may direct, calculated as current assets less current liabilities per the IFRS statements.

“XAAS” means XAAS Agro, Inc., a Puerto Rico corporation, which upon closing of the acquisition by Vireo, will be a wholly-owned subsidiary of Vireo that holds medical cannabis cultivation, processing and dispensary licenses issued by the Commonwealth of Puerto Rico.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

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

The registered and head office of the Corporation is 595 Howe Street, Suite 704, Vancouver BC, V6C 2T5.

Vireo's head and registered office is 207 South 9th Street, Minneapolis, Minnesota 55402.

Upon completion of the Business Combination, the head office of the Resulting Issuer will be located at 207 South 9th Street, Minneapolis, Minnesota 55402. The registered office of the Resulting Issuer will be located at Suite 2200, HSBC Building, 885 West Georgia Street Vancouver, BC, V6C 3E8 Canada.

2.2 Jurisdiction of Incorporation

The Corporation

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on November 23, 2004 under the name "Initial Capital Inc." On May 8, 2007, the Corporation changed its name to "Digifonica International Inc." following the completion of a qualifying transaction. On December 9, 2013, the Corporation continued into British Columbia under the name of "Dominion Energy Inc." The Corporation had the following name changes before ultimately changing its name to "Darien Business Development Corp." on March 13, 2017:

- Initial Capital Inc. (November 23, 2004)
- Digifonica International Inc. (May 8, 2007)
- Dominion Energy Inc. (December 9, 2013)
- Dynamic Oil & Gas Exploration Inc. (June 30, 2014)
- Darien Business Development Corp (March 13, 2017)

On the closing date of the Business Combination, the Corporation acquired the business of Vireo and the funds raised by Canadian Finco pursuant to the Subscription Receipt Financing.

Vireo

Vireo was organized as a limited liability company under Minnesota law on February 4, 2015 and converted to a Delaware corporation on January 1, 2018.

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

2.3 Inter-corporate Relationships

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

Table 1: Vireo Subsidiaries

Entity Name	Formation	Formation Date	Corporate Structure	Vireo Ownership
Vireo Health International, Inc.	British Columbia, Canada	11/25/1985	Vireo parent company	N/A
Vireo Health, Inc.	Delaware, USA	02/04/2015	U.S. parent company (directly and indirectly owns interests in the Resulting Issuer's affiliates)	100%
1776 Hemp, LLC	Delaware, USA	11/06/2017	Direct subsidiary of Vireo Health, Inc.	100%
844 East Tallmadge LLC	Ohio, USA	11/22/2018	Direct subsidiary of Vireo Health, Inc.	100%
Elephant Head Farm, LLC	Arizona, USA	05/11/2016	Direct subsidiary of Vireo Health of Arizona, LLC	100% ¹
High Gardens, Inc.	Rhode Island, USA	04/20/2017	Direct subsidiary of Vireo Health, Inc.	100%
Live Fire, Inc.	Arizona, USA	11/01/2017	Direct subsidiary of Vireo Health of Arizona, LLC	100% ¹
MaryMed, LLC	Maryland, USA	08/18/2015	Direct subsidiary of Vireo Health, Inc.	100%
Mayflower Botanicals Inc.	Massachusetts, USA	07/27/2015	Direct subsidiary of Vireo Health of Massachusetts, LLC	100% ¹
Midwest Hemp Research, LLC	Minnesota, USA	04/27/2016	Direct subsidiary of Vireo Health, Inc.	100%
MJ Distributing C201, LLC	Nevada, USA	10/17/2018	Direct subsidiary of Vireo Health of Nevada I, LLC	100% ¹
MJ Distributing P132, LLC	Nevada, USA	10/17/2018	Direct subsidiary of Vireo Health of Nevada I, LLC	100% ¹
Minnesota Medical Solutions, LLC	Minnesota, USA	11/02/2012	Direct subsidiary of Vireo Health, Inc.	100%
Pennsylvania Dispensary Solutions, LLC	Pennsylvania, USA	05/07/2018	Direct subsidiary of Vireo Health, Inc.	100%
Pennsylvania Medical Solutions LLC	Pennsylvania, USA	02/02/2017	Direct subsidiary of Vireo Health, Inc.	100%

¹ Subject to completion of the acquisitions - See Section 3.1 *General Development of the Business – Ongoing Acquisitions*

Entity Name	Formation	Formation Date	Corporate Structure	Vireo Ownership
Resurgent Pharmaceuticals, Inc.	Delaware, USA	09/09/2016	Direct subsidiary of Vireo Health, Inc.	100%
Retail Management Associates, LLC	Arizona, USA	12/10/2015	Direct subsidiary of Vireo Health of Arizona, LLC	100%
Sacred Plant, Inc.	Arizona, USA	11/01/2017	Direct subsidiary of Vireo Health of Arizona, LLC	100% ¹
Vireo Health of Arizona, LLC	Delaware, USA	11/16/2018	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health of Massachusetts, LLC	Delaware, USA	01/29/2019	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health of Nevada I, LLC	Nevada, USA	10/11/2018	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health of New Mexico, LLC	Delaware, USA	02/04/2019	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health of New York LLC	New York, USA	02/13/2015	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health of Puerto Rico, LLC	Delaware, USA	06/26/2018	Direct subsidiary of Vireo Health, Inc.	100%
Vireo Health de Puerto Rico, LLC	Puerto Rico	10/24/2018	Direct subsidiary of Vireo Health of Puerto Rico, LLC	100%
XAAS Agro, Inc.	Puerto Rico	06/14/2016	Direct subsidiary of Vireo Health de Puerto Rico, LLC	100% ¹

See Section 3.1 – General Development of the Business – Business Combination below for discussion of Business Combination

2.4 **Fundamental Change**

See Item 3.1 – General Development of the Business – The Business Combination

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**

Vireo

Vireo was organized as a limited liability company under Minnesota law on February 4, 2015 and converted to a Delaware corporation on January 1, 2018. Vireo is one of the United States’

leading multi-state cannabis companies. The Company's mission is to provide patients and consumers with best-in-class cannabis products and expert advice, informed by medicine and science. Vireo is also focused on transformative intellectual property ranging from novel product formulations, to agricultural scale cannabinoid production processes and equipment.

Pipeline Transactions

The Resulting Issuer plans to leverage its proprietary cannabis-based products, operational expertise and novel dispensary model to grow its market size by expanding into new states and potentially internationally, in a highly opportunistic and cost-effective manner. The Resulting Issuer is actively evaluating opportunities in more than a half a dozen states, which permit or are expected to soon permit, the use of cannabis for medicinal or adult-use purposes.

At the same time, the Resulting Issuer may decide to leave any of the existing markets in which it operates, through the sale of the business assets or the equity of one of its subsidiaries, if the board of directors of the Resulting Issuer determines that such a sale is in the best interests of the Resulting Issuer and its stockholders. The Resulting Issuer may also decide to seek investment from one or more new investors directly into one or more of its Operational Subsidiaries, which would dilute the Resulting Issuer's ownership percentage in order to obtain additional capital for a particular market.

The Resulting Issuer currently has several transactions in its pipeline, including the following:

1. Vireo recently entered into binding letters of intent to acquire two existing dispensaries in California. The acquisitions are subject to completion of satisfactory due diligence and other closing conditions typical for transactions of this type. If completed, the purchase price will be satisfied in a combination of cash and a \$5.7 million 7% convertible note, which note will be convertible into Subordinate Voting Shares at the option of the Vireo or the holder thereof at a conversion price of \$2.975 per Subordinate Voting Share.
2. Vireo recently entered into a non-binding letter of intent to acquire a nutraceutical manufacturing company in Minnesota ("**Vireo Nutraceutical**").
3. Vireo recently entered into a non-binding letter of intent aimed at reducing the manufacturing costs of cannabis and hemp at agricultural scale (the "**Vipex Joint Venture**").
4. Vireo recently entered into a non-binding letter of intent for a joint venture with a licensed cannabis producer in Canada to produce Vireo's proprietary extracts for sale in Canada and, potentially, other countries.

In addition to the foregoing, the Resulting Issuer is actively pursuing a number of other opportunities with third parties.

Ongoing Acquisitions

The following acquisitions (the “**Acquisitions**”) are expected to close on or around the end of March 2019 and in all cases, after the closing of the Business Combination, subject to satisfaction of certain customary closing conditions. There can be no assurance that all or any of these transactions will close. See “**Section 17 - Risk Factors**”. This description of the business of Vireo and the list of subsidiaries of Vireo in this Listing Statement assumes that the following acquisitions have closed.

ANR

Vireo entered into a second amended and restated membership interest and stock purchase agreement dated February 26, 2019 (the “**Amended and Restated Agreement**”), with certain sellers (the “**ANR Sellers**”) for the acquisition by Vireo, of all the membership interests of EHF, Retail Management Associates, LLC, Live Fire, Inc. and Sacred Plant, Inc. (altogether, the “**Entities**”) for \$10,500,000 payable in cash and \$5,000,000 payable in the form of promissory notes (the “**Notes**”). A cash deposit of \$1.15 million was delivered to the ANR Sellers on or prior to the execution date of the Amended and Restated Agreement with the balance to be paid on closing.

Pursuant to the terms of the convertible promissory notes, the Business Combination triggers the right of Vireo, or the ANR Sellers, to convert at their option, all but not less than all of the unpaid principal balance of the convertible promissory notes, into Multiple Voting Shares. The number of Multiple Voting Shares into which the convertible promissory note may be converted into will be determined by dividing the sum of the outstanding principal balance by the Conversion Price (as hereinafter defined). Any outstanding unpaid interest having accrued at a rate of 5.0% per annum for the first 6 months and 7.0% per annum thereafter, or fractional common stock of Vireo will be paid to the holders of the convertible promissory notes in cash only. The Multiple Voting Shares issuable on conversion of the common stock of Vireo will be subject to a lock up for a duration of 180 days from the effective date of the Business Combination.

The Conversion Price will be equal to the issue price of the Subscription Receipt (adjusted for exchange ratio of the Multiple Voting Shares) under the brokered portion of the Subscription Receipt Financing, less a 30% discount per share.

The Entities operate and control Arizona Natural Remedies (“**ANR**”), an Arizona non-profit organization that owns a dispensary and cultivation facility.

C201 and P132

Vireo Health of Nevada I, LLC, entered into two membership interest purchase agreements dated November 14, 2018 (the “**Membership Interest Purchase Agreements**”) with certain sellers (the “**Nevada Sellers**”), for a purchase price of \$2,000,000 for each of C201 and P132 for an aggregate consideration of \$4,000,000. A cash deposit of \$25,000 and \$250,000 was delivered to the Sellers for each of C201 and P132 within five days of the execution date of the Membership Interest Purchase Agreements, \$475,000 in cash and \$1,250,000 in the form of a promissory note will be payable at closing to the Nevada Sellers in each of the P132 and C201 transactions.

Pursuant to the terms of the convertible promissory notes, the Business Combination triggers the right of Vireo Health of Nevada I, LLC, or the Nevada Sellers, to convert at their option, all but not less than all of the unpaid principal balance of the convertible promissory notes, into

Multiple Voting Shares. The number of Multiple Voting Shares into which the convertible promissory note may be converted into will be determined by dividing the sum of the outstanding principal balance by the Conversion Price (as hereinafter defined). Any outstanding unpaid interest having accrued at a rate of 4.0% per annum for the first 6 months and 8.0% per annum thereafter, or fractional common stock of Vireo will be paid to the holders of the convertible promissory notes in cash only. The Multiple Voting Shares issuable on conversion of the common stock of Vireo will be subject to a lock up for a duration of 180 days from the effective date of the Business Combination.

The Conversion Price will be equal to the issue price of the Subscription Receipt (adjusted for exchange ratio of the Multiple Voting Shares) under the brokered portion of the Subscription Receipt Financing, less a 30% discount per share.

Mayflower Botanicals

Vireo entered into a master purchase agreement dated February 1, 2019 with certain sellers (the “**Mayflower Sellers**”) for the purchase by Vireo, of all of the issued and outstanding equity interests of Mayflower, and all of the right, title and interest of Landing Rock to acquire approximately 400 acres of real property in Massachusetts and Connecticut for an aggregate purchase price of \$10,000,000. A cash deposit of \$50,000 was deposited in escrow and will be released to a Mayflower Seller on closing of the Mayflower transaction along with a cash payment of \$950,000. \$9,000,000 (the “**Base Value**”) of the aggregate purchase price is payable to a such Mayflower Seller in such number of common stock of Vireo as is equal to the Base Value divided by the price per share of capital stock offered pursuant to the Business Combination multiplied by 70% provided that one of the Mayflower Sellers delivers to Vireo, any stock agreements, lock up covenants, and similar documents relating to the listing of the Subordinate Voting Shares. The Base Value was increased by 0.25% on March 1, 2019 and will further increase by 0.25% on the first day of each month until closing of the Mayflower transaction.

Silver Fox

Vireo Health of New Mexico LLC, Silver Fox and certain shareholders of Silver Fox entered into an asset purchase agreement (the “**Agreement**”) dated February 2019, for the acquisition by Vireo Health of New Mexico LLC of substantially all of the assets of Silver Fox, including Silver Fox’s intellectual property, contracts and leases, licenses and inventory, for a total purchase price of \$4,000,000.

A cash deposit of \$125,000 was delivered to Silver Fox on the execution date of the Agreement. On closing of the Silver Fox transaction, \$1,875,000 will be payable in cash and \$2,000,000 will be payable in Multiple Voting Shares. The number of shares issuable under the Agreement will be determined by dividing \$2,000,000 by the price per share of capital stock of Vireo offered pursuant to the Business Combination, multiplied by 70%.

XAAS

Vireo Health de Puerto Rico, LLC (the “**Buyer**”) entered into a stock purchase agreement with certain sellers (the “**XAAS Sellers**”) dated December 7, 2018, for the purchase by the Buyer of all the shares of XAAS for an aggregate purchase price of \$1,800,000. A cash deposit of \$25,000 was delivered to XAAS prior to the execution of the stock purchase agreement and \$900,000 in the form a convertible promissory note, and \$695,000 in the form of cash consideration will be payable on closing of the XAAS transaction. Finally \$180,000 is payable to the Sellers on the expiration of the 6-month holdback period from the date of closing of the

XAAS transaction, subject Vireo Health de Puerto Rico, LLC's right of offset as further described in the stock purchase agreement.

Pursuant to the terms of the convertible promissory note, the Business Combination triggers the right of the Buyers or the Sellers to convert at their option, all but not less than all of the unpaid principal balance of the convertible promissory note, into Multiple Voting Shares. The number of Multiple Voting Shares into which the Notes may be converted into will be determined by dividing the sum of the outstanding principal balance under the convertible promissory note by the Conversion Price (as hereinafter defined). Any outstanding unpaid interest accruing at a rate of 5% per annum, under the convertible promissory note or fractional common stock of Vireo converted therefrom will be paid to the Sellers in cash only. The Multiple Voting Shares issuable on conversion of the common stock of Vireo will be subject to a lock up for a duration of 180 days from the effective date of the Business Combination.

The Conversion Price is equal the issue price of the Subscription Receipt under the brokered portion of the Subscription Receipt Financing, (adjusted for exchange ratio of the Multiple Voting Shares).

Closed Acquisitions

High Gardens, Inc.

Vireo entered into a stock investment and redemption agreement (the "**Agreement**") dated December 7, 2018 with certain sellers (the "**High Gardens Sellers**"), for the investment and redemption by Vireo Health, Inc. of common stock in the capital of High Gardens, Inc. ("**High Gardens**"). Pursuant to the Agreement, Vireo made aggregate capital contributions of \$1,000,000 in exchange for 30,000 shares of class A common stock in High Gardens. A cash deposit of \$50,000 was delivered to High Gardens on the execution of the Agreement as part of the capital contribution, and \$700,000 is payable in the form of a promissory note at a fixed rate of 3.0% per annum (the "**High Gardens Notes**"). \$250,000 was paid in cash approximately three business days prior to the closing date of the High Gardens transaction on January 14, 2019 (the "**Investment Transaction**").

Immediately following the Investment Transaction, High Gardens redeemed all shares held by the Sellers in High Gardens for a redemption price of \$1,000,000 payable to the Sellers by High Gardens.

Pursuant to the terms of the High Gardens Notes, the Business Combination triggers the right of Vireo or the Sellers, to convert at their option, all but not less than all of the unpaid principal balance of the High Gardens Notes, into Multiple Voting Shares. The number of Multiple Voting Shares into which the convertible promissory note may be converted into will be determined by dividing the sum of the outstanding principal balance by the Conversion Price (as hereinafter defined). Any outstanding unpaid interest or fractional common stock of Vireo will be paid to the holders of the High Gardens Notes in cash only. The Multiple Voting Shares issuable on conversion of the common stock of Vireo will be subject to a lock up for a duration of 180 days from the effective date of the Business Combination.

The Conversion Price is equal to the price per share of the common stock of Vireo under the Business Combination multiplied by the conversion ratio of common stock to Multiple Voting Shares in the Business Combination.

Midwest Hemp

Vireo entered into a membership interest purchase agreement with Kyle Kingsley, the CEO of Vireo, and David Kingsley dated November 2018 for the purchase by Vireo of all of the issued and outstanding membership interests of Midwest Hemp Research LLC for \$50,000 payable on the closing of the Midwest Hemp transaction, in the form of convertible promissory notes in the original principal amount of \$25,000 for each of Kyle Kingsley and David Kingsley (the “Notes”).

Pursuant to the terms of the Notes, the Business Combination triggers the right of Vireo or Kyle Kingsley and David Kingsley respectively, to convert at their option, all but not less than all of the unpaid principal balance of the Notes, into common stock of Vireo, which will thereafter be exchanged for Multiple Voting Shares. The number of common stock of Vireo into which the Notes may be converted into will be determined by dividing the sum of the outstanding principal balance under the Notes by the Conversion Price (as hereinafter defined). Any outstanding unpaid interest under the Notes or fractional common stock of Vireo converted therefrom will be paid to each of Kyle Kingsley or David Kingsley respectively in cash only. The Multiple Voting Shares issuable on conversion of the common stock of Vireo will be subject to a lock up for a duration of 180 days from the effective date of the Business Combination.

The Conversion Price is equal the issue price of the Subscription Receipt under the brokered portion of the Subscription Receipt Financing, subject to adjustment for any conversion ratio of common stock of Vireo to the Subscription Receipt issued pursuant to the Subscription Receipt Financing.

Financing Activities

To date, Vireo has successfully raised \$62 million in debt and equity financing to support its multi-state operations and growth plans.

1. Private Placements

In October of 2018, Vireo issued 1,500 Class D-2 warrants to Access Alternative Group S.A, a Bahamian company with operations in Canada, for consulting services related to the Canadian capital markets.

In July and August of 2018 Vireo closed a private placement offering of 383,307 shares of Vireo’s class D Preferred Stock, par value \$.00001 per share at an offering price of \$45 for aggregate gross proceeds of \$17.3 million to accredited investors (“**Class D Financing**”). Each investor also received a Vireo Warrant entitling the investor to automatically receive, at no additional cost and without any further action, an additional 0.1 of a Class D Preferred share for each Class D Preferred Stock purchased by such investor, on the date that is eight months following the closing of such investor’s purchase of the Class D Preferred Stock. Pursuant to the Business Combination, the Vireo Warrants shall be automatically cancelled and no additional Class D Preferred Stock will be issued to holders of Vireo Warrants.

Vireo successfully completed three previous equity funding rounds totaling approximately \$23 million. A “Class A” round of \$3.6 million in July of 2014, a “Class C” round of \$13 million in February 2015, and a second “Class C” round of approximately \$6.3 million dollars in late 2015 and early 2016.

2. Loan from Tryon Capital

On January 4, 2017, Vireo entered into an Agreement with Tryon Capital, LLC pursuant to which Tryon Capital has loaned Vireo \$1,010,000 (the “**Tryon Loan**”). The Tryon Loan bears interest at 15%, with interest only payments due monthly until the maturity date of December 31, 2019, when the entire loan will be due and payable.

3. Sale-Leaseback Transactions with Innovative Industrial Properties LLC (“IIP”)

Given the limited access to banking services and traditional debt financing for operators in the medical cannabis sector, Vireo entered into sale-leaseback transactions with IIP for its facilities in New York, Minnesota and Pennsylvania. IIP is a publicly-traded real estate investment trust (NYSE: IIPR) that is focused on real estate transactions with medical-use cannabis facilities and, as such, is familiar with the unique requirements of the operators of such properties, including the regulatory oversight required of a manufacturing facility. In late 2017, IIP acquired from Vireo two cannabis cultivation facilities in sale-leaseback transactions – one in New York and one in Minnesota – for \$8.4 million which included a \$1.0 million tenant improvement allowance available in each Business Combination for additional improvements at each property. In early 2018, Vireo closed a third sale lease-back with IIP for its Pennsylvania facility in the amount of \$8.6 million, which also included a tenant improvement allowance. In late 2018, IIP agreed to provide additional funds for improvements at the Minnesota, New York and Pennsylvania facilities in the amounts of \$2.0 million, \$2.0 million and \$1.0 million, respectively. The 15-year term of each lease reset upon the provision of additional funds, such that each lease now expires in 2033.

The structure of these deals allowed IIP to acquire the rights to the real estate from Vireo in exchange for a cash payment pursuant to a purchase and sale agreement. In addition, IIP provides access to additional funds that Vireo may use for tenant improvements at each facility. In exchange, Vireo makes lease payments to IIP pursuant to a long-term lease for each facility.

The transactions are financial in nature and IIP operates merely as Vireo’s landlord for these facilities. IIP has no control over any Vireo operation and Vireo continues to be exclusively responsible for the cultivation, manufacturing and dispensing of products to registered patients consistent with its obligations under the state-based medical cannabis programs in which it participates.

The Business Combination

The principal steps of the Business Combination are as follows:

- (1) Canadian Finco issued subscription receipts (the “**Subscription Receipts**”) in exchange for gross proceeds of approximately \$51 million (the “**Subscription Receipt Financing**”) at a price of \$4.25 per Subscription Receipt. See Section 3.1 *General Development of the Business – The Business Combination*;
- (2) The Preferred Stock of Vireo will be converted into common shares of Vireo;
- (3) The outstanding Subscription Receipts will be converted into Canadian Finco common shares with each holder of a Subscription Receipt receiving one Canadian Finco common share in exchange therefor;
- (4) Non-US shareholders of Vireo will be permitted to exchange/contribute their common shares of Vireo for Subordinated Voting Shares of the Resulting Issuer;
- (5) Concurrently:
 - (a) US Subco and Vireo will effect a reverse merger under Delaware law whereby US Subco and Vireo will merge and Vireo will become a wholly-owned subsidiary of the Resulting Issuer, and the shareholders of Vireo in exchange for their common shares of Vireo, will receive, Super Voting Shares, Subordinate Voting Shares or Multiple Voting Shares of the Corporation, as applicable, based on a

ratio of 0.300048 Multiple Voting Shares or Super Voting Shares or 30.0048 Subordinate Voting Shares for every common share of Vireo, as applicable.

- (b) The Corporation, B.C. Subco and Canadian Finco will be parties to a three-cornered amalgamation pursuant to which Canadian Finco shareholders (including former holders of Subscription Receipts) will receive Subordinate Voting Shares of the Resulting Issuer and Canadian Finco and B.C. Subco will amalgamate with the resulting entity being “Amalco” constituting a continuation of each of Canadian Finco and B.C. 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 Resulting Issuer.

The directors of the Resulting Issuer are expected to be Kyle Kingsley, Amber Shimpa, Aaron Hoffnung, Chad Martinson, Judd Nordquist, Amy Langer and Chelsea Grayson.

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 Business Combination, the outstanding capital of the Corporation will consist of: (i) 21,014,514 Subordinate Voting Shares; (ii) 514,388 Multiple Voting Shares; and 65,411 Super Voting Shares.

3.2 Significant Acquisitions and Dispositions

This section is not applicable.

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 identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Section 3.3 – Trends Commitments, Events or Uncertainties</i> <i>Section 4 – Narrative Description of the Business</i>
	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.	<i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally</i> <i>Section 17 – Risk Factors – Marijuana remains illegal under U.S. federal law</i> <i>Section 17 – Risk Factors – Federal regulation of marijuana in the United States</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	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><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>
	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><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>
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	<p><i>Section 5 – Selected Consolidated Financial Information</i></p> <p>Schedules "B", "D" and "E" to the Listing Statement.</p> <p>Note: at the time of the Listing Statement, the major operations of the Resulting Issuer are only in the United States</p>
	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.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<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 license, 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 Programs for Compliance with Applicable State Law in the United States</i> <i>Section 17 – Risk Factors – U.S. state regulatory uncertainty</i>
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	<i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Programs for Compliance with Applicable State Law in the United States</i>
	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 license, business activities or operations.	<i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Programs for Compliance with Applicable State Law in the United States</i>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<i>Section 3.3 – Trends, Commitments, Events or Uncertainties – Compliance Programs for Compliance with Applicable State Law in the United States</i>

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 the Resulting Issuer is currently directly involved through its subsidiaries. Several of the Resulting Issuer's Operational Subsidiaries are directly engaged in the cultivation, processing, possession, use, sale or distribution of cannabis in the medicinal and/or adult-use cannabis marketplace in the states and territories of Arizona, Maryland, Massachusetts, Minnesota, New Mexico, New York, Nevada, Ohio, Pennsylvania, Puerto Rico, Rhode Island and California. In accordance with Staff Notice 51-352, the Resulting Issuer 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 impact the Resulting Issuer's license, business activities or operations will be promptly disclosed by the Resulting Issuer.

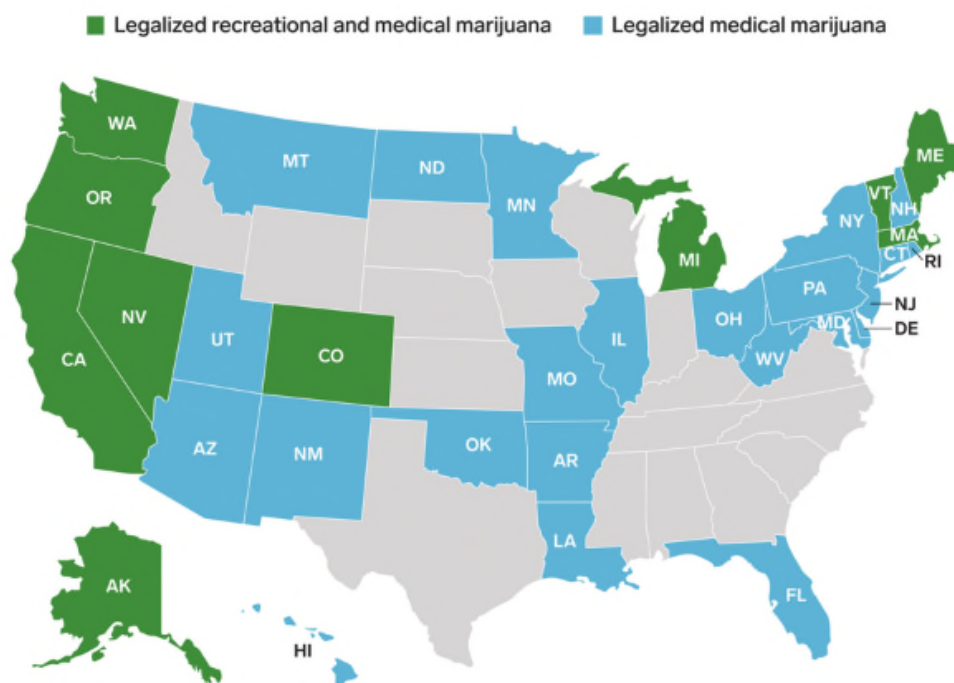
Regulation of Cannabis in the United States Federally

The United States Supreme Court has ruled that Congress has the constitutional authority to enact the existing federal prohibition on 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 I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” With the limited exception of Epidiolex, a pharmaceutical derived from CBD, 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, and of recreational marijuana under the Cannabis Act, marijuana is largely regulated at the state level in the United States.

The map below indicates the status of legalization of marijuana in each state.



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 Vireo’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 Vireo of

liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against Vireo.

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

Regulation of the Cannabis Market at State and Local Levels

Below is a summary overview of the licensing and regulatory framework in the markets where Vireo currently holds licenses and where Vireo is actively expanding into the cannabis industry.

State	License Type	Number of Licenses Issued in State	Number of Licenses Allowed by Law in State	Number of Resulting Issuer Licenses/Applications
Arizona	Integrated - Medical	130	Not fixed (based on number of pharmacies)	1 Cultivation/processing license (1 dispensary and 1 processing facility) ¹
Maryland	Cultivation/ Processing - Medical	15 cultivation, 16 processing, 71 fully licensed and 31 pre-approved dispensaries	22 cultivation, 28 processing, 102 dispensary	1 Cultivation/processing license (1 facility operational) 1 Pending application for a dispensary license
Massachusetts	Integrated - Medical	49 RMDs approved for sales	Unlimited	1 Cultivation/processing license (1 facility pre-operational) 1 Pending application for adult-use processing, cultivation and up to 3 retail dispensaries
Minnesota	Integrated - Medical	2	2	1 Vertically-integrated license (4 dispensaries open; 1 operational manufacturing facility) ¹ 1 Industrial hemp license ¹
Nevada	Cultivation/Processing – Medical and Adult-use	121 cultivation, 84 processing, 62 dispensary, 10 laboratory	Varies based on population	1 Medical cultivation and production license ¹ 2 Conditional approvals for recreational cultivation and production registration certificates ¹
New Mexico	Integrated - Medical	35 Licensed Non-Profit Producers	Determined at the discretion of the Secretary of the Department of Health	1 Vertically-integrated license (1 operational manufacturing facility and 2 dispensaries, with up to 6 dispensaries allowed)

New York	Integrated - Medical	10	10	1 Vertically-integrated license (1 manufacturing facility and 4 dispensaries) 1 industrial hemp license
Ohio	Processing	56 provisional licenses	60	1 Processing license
Pennsylvania	Cultivation/Processing - Medical	25	25	1 (1 operational manufacturing facility with cultivation and processing which allows wholesale of products to licensed dispensaries) 1 dispensary license permitting operation of up to three dispensaries
Puerto Rico	Integrated - Medical	21 cultivation, 1 research, 18 manufacturing, 3 laboratories, 4 transportation 70 dispensary ²	Not fixed	7 pre-approvals (1 pre-operational cultivation and processing facility and 6 dispensaries) ¹
Rhode Island	Cultivation/Processing - Medical	3 Compassion Centers, 41 cultivation licenses	3 dispensaries allowed, No limit to cultivation licenses	1 Cultivation/Processing license (1 operational facility)

1 Subject to completion of the acquisitions - See Section 3.1 *General Development of the Business – Ongoing Acquisitions*

2 The number of licenses allowed is determined by the Medical Cannabis Regulatory Board (the “**Board**”). As of December 3, 2018, the Board had not fixed the number of licenses that will be allowed except that once 100,000 medical cannabis patients are licensed, the Board may establish a moratorium for cultivation and manufacturing licenses, subject to the Board’s market analysis

Arizona

Arizona Regulatory Landscape

On November 2, 2010, Arizona voters enacted a medical marijuana initiative — Proposition 203 — with 50.13% of the vote. Arizona Department of Health Services (DHS) finalized dispensary and registry identification card regulations on March 28, 2011. On April 14, 2011, it began accepting applications for registry cards that provide patients and their caregivers with protection from arrest. DHS was preparing to accept dispensary applications starting in June and to register one dispensary for every 10 pharmacies in the state, totaling 125. However, on May 27, 2011, Gov. Jan Brewer led a federal lawsuit seeking a declaratory judgment on whether Arizona’s new medical marijuana program conflicted with federal law. Her lawsuit was rejected in 2012.

The Arizona Legislature has rolled back some of Prop. 203's protections, like possibly allowing an employer to fire a medical marijuana patient based on a report alleging workplace impairment from a colleague who is "believed to be reliable." The legislature also passed H.B. 2585, which contradicts Prop. 203 by adding medical marijuana patient data to the prescription drug-monitoring program. In 2015, the legislature undermined patient protections again with the passage of H.B. 2346, which specifies that nothing requires a provider of workers' compensation benefits to reimburse a person for costs associated with the medical use of marijuana.

To qualify under Arizona's program, patients must have one of the listed debilitating medical conditions: cancer; HIV/AIDS; hepatitis C; glaucoma; multiple sclerosis; amyotrophic lateral sclerosis (ALS); Crohn's disease; agitation of Alzheimer's disease; post-traumatic stress disorder or "PTSD"; or a medical condition that produces wasting syndrome, severe and chronic pain, severe nausea, seizures, or severe and persistent muscle spasms.

Resulting Issuer Licenses in Arizona

Elephant Head Farm, LLC ("**EHF**") and Retail Management Associates, LLC ("**RMA**"), which subject to the closing of the acquisition by Vireo will be subsidiaries of Vireo, will perform fee-based management services consisting of the operation of one dispensary and one cultivation and processing facility for a non-profit licensee. Vireo representatives also constitute a majority of the board of directors of the non-profit licensee. The non-profit licensee holds a Medical Marijuana Dispensary Registration Certificate, Approvals to Operate issued by the DHS, a Special Use permit issued by the city of Phoenix and a cultivation/processing license which permits the non-profit licensee to own a single dispensary in Phoenix and a cultivation and processing facility in southern Arizona.

Holding Entity	Permit/License Status	City	Description	Ownership
Arizona Natural Resources	Issued	Phoenix	Medical Marijuana Dispensary Registration Certificate	N/A
Arizona Natural Resources	Issued	Amado	1 Cultivation/Processing License	N/A

Arizona Licenses and Regulations

For every ten (10) pharmacies that have registered under A.R.S. § 32-1929, have obtained a pharmacy permit from the Arizona Board of Pharmacy, and operate in the State, the DHS may issue one non-profit medical marijuana dispensary registration certificate. Each dispensary registration certificate permits the license holder to: (i) open one dispensary, and (ii) one cultivation facility and/or one processing facility. Cultivation and processing sites can be located anywhere in the State and are not restricted based on where the license holder's dispensary is located. Dispensaries are limited to their district (Community Health Analysis Area) for their first three years of operation and may apply to relocate thereafter. All dispensaries must be not-for-profit. Arizona dispensary registration certificates are valid for one year after the date of

issuance. The holder of a dispensary registration certificate must also submit an application for approval to operate a dispensary to the DHS. An approval to operate a dispensary has the same expiration date as the dispensary registration certificate associated with the approval to operate the dispensary. A dispensary that has approval to operate as a dispensary issued by the DHS is subject to annual renewals of its dispensary registration certificate.

Arizona Reporting Requirements

The Department of Health Services - Medical Marijuana Program requires that dispensaries implement policies and procedures regarding inventory control, including tracking, packaging, acquisition and disposal of marijuana. The Licensee uses BioTrackTHC 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 Arizona's medical marijuana laws and regulations.

Maryland

Maryland Regulatory Landscape

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. The market is divided into three primary classes of licenses: dispensaries, cultivators, and processors. Medical cannabis dispensary license pre-approvals were issued to 102 dispensaries out of a pool of over 800 applicants while an original 15 processing out of a pool of 124 applicants and 15 cultivation licenses were awarded out of a pool of 146 applicants.

The medical marijuana 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. 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 adding another 20 licenses, 7 for cultivation and 13 for processing. Permitted products include oil-based formulations and flower. Edibles are prohibited. No one company can directly own more than one license of the same class.

Resulting Issuer Licenses in Maryland

Vireo has 100% ownership of MaryMed which holds one cultivation and processing license allowing it to operate a cultivation and processing facility in Hurlock. The license permits the Resulting Issuer to cultivate and process medical marijuana and medical marijuana products.

Holding Entity	Permit/License Status	City	Description	Ownership
MaryMed	Issued	Hurlock	1 Cultivation/Processing License	100%

Pending Resulting Issuer License in Maryland

MaryMed’s Phase I approval for 1 dispensary license for medical cannabis was granted and it is in the process of applying for Phase 2 approval.

Maryland Licenses and Regulations

Maryland licenses are valid for a period of one year and are subject to annual renewals after required fees are paid and provided that 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.

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.

Massachusetts

Massachusetts Regulatory Landscape

Massachusetts legalized medical marijuana and established the Medical Use of Marijuana Program of Massachusetts when voters passed Ballot Question 3 in the 2012 general election. The Department of Public Health regulates and administers the state’s Medical Use of Marijuana Program, including all cultivation, processing and dispensary facilities.

Adult-use (recreational) marijuana was subsequently made legal as of December 15, 2016 when voters passed a ballot initiative on November 8, 2016. On July 19, 2017, Massachusetts lawmakers passed Bill H.3818, which amended the state’s voter passed ballot initiative. The bill was subsequently signed into law by the Governor on July 28, 2017.

The Cannabis Control Commission, a regulatory body created in 2016, oversees the recreational program, including licensing of adult use cultivation, processing and dispensary facilities. The Cannabis Control Commission published final marijuana regulations on March 23, 2018. State applications for licenses for adult-use sales commenced on April 17, 2018 and recreational sales began in November of 2018.

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 most important legal marijuana markets. As of January 31, 2019, Massachusetts had 49 registered marijuana dispensaries approved for sales and over 59,000 registered and active patients 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.

Resulting Issuer Licenses in Massachusetts

The Department of Public Health issued a provisional certificate of registration for a Registered Marijuana Dispensary (“**RMD**”) for a dispensing, cultivating and processing facility in Holland to Vireo’s Affiliate, assuming the closing of the acquisition by Vireo, Mayflower Botanicals, Inc.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Mayflower Botanicals, Inc.	N/A	Holland	N/A	1 Cultivation/processing license (1 facility pre-operational) 1 Pending application for adult-use cultivation, processing and up to 3 retail dispensaries

Massachusetts Licenses and Regulations

The State of Massachusetts Department of Health regulations 105 CMR 725.000 et seq. provide a regulatory framework for RMDs to sell medical marijuana in a “vertically-integrated” model, 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. 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 “co-located” operation. An RMD may also choose to have a retail dispensary in one location. However, recreational marijuana businesses are not required to be vertically integrated and need only operate in one segment: cultivation, processing and dispensary.

An RMD’s certificate of registration, as applicable, expires one year after the date of issuance of the provisional certificate of registration and annually thereafter, and may be renewed.

Massachusetts Reporting Requirements

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. On becoming operational in Massachusetts, Vireo intends to abide by the state’s program which requires the capture of data points for cultivation, manufacturing and retail under the Massachusetts medical marijuana laws and regulations.

Minnesota

Minnesota Regulatory Landscape

Legislation passed during the 2014 Minnesota legislative session created a new process allowing seriously ill individuals from Minnesota to use medical cannabis to treat a set of nine qualifying medical conditions. The qualifying medical conditions were recently expanded to include intractable pain, post-traumatic stress disorder (PTSD), Autism, Alzheimer’s and Obstructive Sleep Apnea. The Medical Cannabis Program is regulated and administered by the

Minnesota Department of Health which oversees all cultivation, production and distribution facilities. As of November, 2018 the Minnesota Department of Health had registered 2 manufacturers, with each manufacturer having licenses for four distribution facilities across the state.

Medical cannabis is provided to patients as a liquid, pill, topical (lotions, balms and patches) or vaporized delivery method that does not require the use of dried leaves or plant form.

In terms of safety and security, there are a number of precautions built into the program. For example, registered manufacturers must contract with a laboratory for testing the quality and consistency of the medical cannabis products. Manufacturers' facilities are also subject to state inspection.

Minnesota has also implemented a process for monitoring and evaluating the health impacts of medical cannabis on patients which will be used to help patients and health professionals grow their understanding of the benefits, risks and side effects of medical cannabis.

Resulting Issuer Licenses in Minnesota

MinnMed, which subject to the closing of the acquisition by Vireo will be a subsidiary of Vireo, holds one of two medical cannabis licenses to operate retail medical cannabis dispensaries in the state of Minnesota and operates four dispensary locations in Minnesota located in Bloomington, Rochester, Minneapolis, and Moorhead. MinnMed also has a cultivation and production facility in Otsego, MN.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
MinnMed	N/A	Minneapolis, Moorhead, Rochester, Bloomington	11/30/19	1 Vertically integrated Medical Dispensary License (includes rights to 4 dispensary locations and one cultivation/processing facility)
Midwest Hemp	N/A	N/A	12/31/19	1 Industrial Hemp License

Minnesota Licenses and Regulations

Minnesota state licenses are renewed every two years. Every two years, licensees are required to submit a renewal application with the commissioner at least six months before its registration term expires per Minnesota Administrative Rules Part 4770.1460. The most recent manufacturer annual fee between December 2017 and November 30, 2018 was \$146,225 and is non-refundable. Additionally, in respect of the renewal process, provided that the requisite

renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable licenses, MinnMed would expect to receive the applicable renewed license in the ordinary course of business. While MinnMed's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that MinnMed's license will be renewed in the future in a timely manner (See "*Compliance Programs for Compliance with Applicable State Law in the United States*" below for more information on the recent examination by the Minnesota Department of Health of Vireo's subsidiary). Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Minnesota Reporting Requirements

The State of Minnesota does not require a specific 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.

MinnMed uses Leaf Logix to satisfy its reporting requirements.

Nevada

Nevada Regulatory Landscape

In Nevada medical marijuana use was legalized by a ballot initiative in 2000. State-certified medical marijuana establishments were first operational in 2015. On November 8, 2016, voters in Nevada passed the Regulation and Taxation of Marijuana Act (Ballot Question 2) to allow for the sale, possession and consumption of recreational marijuana in the state for adults 21 and older. The first dispensaries providing adult-use cannabis began sales in July 2017. The Nevada Department of Taxation is the regulatory agency overseeing the medical and adult use cannabis programs. Cities and counties in Nevada are allowed to determine the number of local cannabis licenses they will issue.

Resulting Issuer Licenses in Nevada

C201, which subject to the closing of the acquisition by Vireo will be a subsidiary of Vireo, holds a license to cultivate medical marijuana, currently located in Caliente, Nevada.

Vireo is also expected to operate in Nevada through its subsidiary, P132 subject to the closing of the acquisition by Vireo. P132 holds a license to produce medical marijuana, currently located in Caliente, Nevada.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
MJ Distributing C201, LLC	Medical Marijuana Establishment Registration Certificate #85088942249422976277	Caliente	N/A ¹	1 license to cultivate medical marijuana
MJ Distributing P132, LLC	Medical Marijuana Establishment Registration Certificate #48365228256005962980	Caliente	N/A ¹	1 license to produce medical marijuana

¹ The facilities must be fully operational by September 30, 2019. Renewal and expiration dates of the license will depend on the date the facilities become fully operational.

Pending Resulting Issuer Licenses in Nevada

C201 has applied for recreational marijuana registration certificates for cultivation and production in the State of Nevada and received conditional approval on September 10, 2018.

P132 has applied for recreational marijuana registration certificates for cultivation and production in the State of Nevada and received conditional approval on September 10, 2018.

Nevada Licenses and Regulations

In the state of Nevada, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows Vireo to make wholesale sales of cannabis to another licensed entity within the state. There are five types of retail marijuana establishment licenses: cultivation facility, distributor, product manufacturing facility, testing facility, and retail store.

The medical cultivation licenses permit C201 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 medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities. Vireo has also applied for an adult-use license based upon its final registration certificate.

The medical product manufacturing license permits P132 to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries. P132 has also applied for an adult-use cultivation and manufacturing license based upon its final registration certificate.

Nevada Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and 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. For the cultivation and processing licenses P132 and C201 will designate an in-house computerized seed to sale software that will integrate with METRC via API. The chosen seed-to-sale system must capture the required data points for cultivation and manufacturing as required in Nevada Revised Statutes section 453A.

New Mexico

New Mexico Regulatory Landscape

The Lynn & Erin Compassionate Use Act ("**Compassionate Use Act**") was signed into law in 2007 and became effective July 1, 2007. The Compassionate Use Act established the regulatory framework for use of medical marijuana by New Mexico residents and created the New Mexico Medical Cannabis Program ("**NMMCP**"). It allows practitioners to prescribe medical marijuana to patients with a debilitating medical condition (as defined in the Compassionate Use Act). When a practitioner determines that the patient has a debilitating medical condition and provides written certification so stating and that the potential health benefits of the cannabis use would likely outweigh the health risks for the patient, the patient can apply with the New Mexico Department of Health ("**NMDOH**") for a registry identification card. A qualified patient is allowed to possess cannabis in an amount that is reasonably necessary to ensure uninterrupted availability of cannabis for a period of three months. As of February 2018, there were 48,821 patients registered in the program.

Resulting Issuer Licenses in New Mexico

Silver Fox, which subject to the closing of the acquisition by Vireo will be a subsidiary of Vireo, currently operates two dispensaries located in Santa Fe and Gallup and a cultivation and processing facility, currently located in Gallup for Red Barn, a New Mexico non-profit licensee, pursuant to a management agreement.

New Mexico Licenses and Regulations

The NMMCP is overseen by the NMDOH. The NMMCP has 35 Licensed Non-profit Producers (LNPPs). LNPPs cultivate and distribute cannabis to qualified patients. The NMDOH is not accepting new applications for licensure of LNPPs at this time. Each LNPP can operate an unlimited number of dispensaries. The NMMCP approves third party manufacturers to make cannabis-derived products that are then sold through the LNPPs. With approval by the NMMCP, LNPPs can also manufacture products to sell to patients.

New Mexico Reporting Requirements

The state of New Mexico uses BIOTRACKTHC® as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees are required to push data to the state to meet all reporting requirements.

New York

New York Regulatory Landscape

Governor Cuomo signed the Compassionate Care Act into law on July 5, 2014. It allows patients to use medical cannabis if they have been diagnosed with a specific severe, debilitating

or life-threatening condition that is accompanied by an associated or complicating condition. The law was recently expanded to include chronic pain and PTSD. The law has a sunset provision whereby it will expire after seven years unless renewed by the legislature.

Physicians must complete a New York State Department of Health-approved course and register with the Department to certify patients. Practitioners must consult the New York State Prescription Monitoring Program Registry prior to issuing a certification to a patient for medical cannabis.

Patients who are certified by their practitioners must apply to the Department to obtain a registry identification card in order to obtain medical cannabis in accordance with any recommendations made by the patient's practitioner. During the patient registration process, certified patients may designate up to two caregivers, who must also register with the Department, to obtain and administer medical cannabis products on behalf of the patients.

Registered organizations may only manufacture medical cannabis products in forms approved by the Commissioner. Approved forms currently include liquid or oil preparations for metered oromucosal (administered orally) or sublingual (under the tongue) administration or administration per tube, metered liquid or oil preparations for vaporization, and capsules for oral administration. Additional approved forms were recently added including topicals and patches. The Compassionate Care Act expressly provides that a certified medical use of cannabis does not include smoking and that prices must be approved by the Department.

Each medical cannabis company may have up to four dispensing facilities, owned and operated by the registered organization, where approved medical cannabis products will be dispensed to certified patients or their designated caregivers, who have registered with the Department. Dispensing facilities must report dispensing data to the New York State Prescription Monitoring Program Registry and consult the registry prior to dispensing approved medical cannabis products to certified patients or their designated caregivers.

In January of 2019, Governor Cuomo introduced a proposal to legalize recreational marijuana in New York as part of his budget proposal for fiscal 2020. The proposal has not yet been introduced as legislation and may not end up being enacted in its current form or at all. It is unclear how the proposed legislation will interact with the current medical cannabis regime and what effect, if any, such proposal will have on the business of Vireo.

Resulting Issuer Licenses in New York

Through its subsidiary Vireo NY, Vireo holds one of ten vertically integrated medical cannabis licenses. It currently has a manufacturing facility in the Tryon Technology Park in Perth, NY, a production facility in Johnstown, NY, and four dispensaries throughout the State – New York City (Queens) County, Binghamton, White Plains and Albany.

Vireo's New York cultivation and processing facility located in Tryon Technology Park in Perth is approximately 21 acres. The facility is comprised of 13,650 square feet of indoor cultivation space, 38,304 square feet of greenhouse cultivation space, and 7,350 square feet of laboratory and processing space. The balance of the land (20 acres total) is unimproved and available to Vireo for future expansion. The facility has been in continuous production and sale of cannabis since January 2016.

Vireo also owns an industrial hemp cultivation license through its subsidiary, 1776 Hemp LLC and intends to build a processing facility in upstate New York. This processing facility will be capable of the mass production of CBD which could drastically reduce the price of this

compound for consumers. Vireo is also actively evaluating additional industrial hemp uses under the New York state-sanctioned industrial hemp pilot.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Vireo Health of New York LLC	MM0201M MM0202D MM0203D MM0204D MM0205D	Johnstown	7/31/19	4 Medical Dispensary Licenses and 1 Cultivation and Processing License
1776 Hemp LLC	HEMP-G-00084	Johnstown	2/28/21	1 Industrial Hemp Cultivation License

New York Licenses and Regulations

New York state licenses expire 2 years after the date of issuance. An application to renew any registration must be filed with the Department not more than six months nor less than four months prior to the expiration thereof. Application fees are \$10,000 and are non-refundable. Registration fees are \$200,000 and are refundable if the applicant is not granted a renewal registration. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable licenses, Vireo would expect to receive the applicable renewed license in the ordinary course of business. While Vireo’s compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that its license will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Vireo and have a material adverse effect on Vireo’s business, financial condition, results of operations or prospects.

New York Reporting Requirements

The state of New York uses BIOTRACKTHC® as the state’s computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual licensees are required to push data to the state to meet all reporting requirements.

Ohio

Ohio Regulatory Landscape

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.

Resulting Issuer Licenses in Ohio

None.

Pending Resulting Issuer License Applications in Ohio

On October 2, 2018, the Ohio Department of Commerce issued a provisional processor cultivator license to Vireo's Affiliate, Ohio Medical Solutions, Inc. Vireo's Affiliate has a processing facility in Akron currently undergoing renovations and improvements. Ohio Medical Solutions, Inc., which is owned by four executives of Vireo, has granted Vireo an option to exercise the right to acquire the entity. The option can only be exercised on approval of a change of control by the Ohio Department of Commerce.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description	Ownership
Ohio Medical Solutions, Inc.	N/A	Akron, OH	N/A	1 provisional cultivation processing license	Owned by four executives of Vireo

Ohio Licenses and Regulations

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 has 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

Ohio Reporting Requirements

The Ohio Medical Marijuana Control Program has selected Franwell Inc.’s METRC solution (“**METRC**”) to implement the “seed-to-sale” inventory tracking system. Franwell Inc. will provide training to licensees on how to properly use the inventory tracking system to comply with the requirements of the statute and rules contained in Ohio Revised Code and Ohio Administrative Code Chapter 3796.

Pennsylvania

Pennsylvania Regulatory Landscape

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.

Resulting Issuer Licenses in Pennsylvania

Vireo operates in Pennsylvania through its subsidiary, PAMS, which was awarded one of the first 12 issued medical marijuana cultivation and processing licenses. The license authorizes PAMS to wholesale products to up to 150 licensed dispensary locations in Pennsylvania. Since obtaining its license, Vireo recently opened a production facility in Scranton, Pennsylvania and now wholesales its products to the majority of third-party dispensaries in the State.

The table below lists information regarding Vireo’s medical marijuana cultivation/processing license in Pennsylvania.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
Pennsylvania Medical Solutions, LLC	GP-2018-17	Scranton	N/A	1 Medical Cultivation/Processing License (allows sale of products to 150 licensed dispensaries)
Pennsylvania Dispensary Solutions, LLC		Scranton, Bethlehem		1 Medical Dispensary License (allows operation of up to 3 dispensaries in Northeast region of State)

Pennsylvania Licenses and Regulations

There are two primary classes of licenses: licenses to grow and process medical cannabis products, and licenses to dispense medical cannabis products to patients. Grower/processors wholesale products to dispensaries. On March 22, 2018, it was announced that the final phase of the Pennsylvania medical marijuana program would initiate its rollout, which included 13 additional cultivation/processing licenses and 23 additional dispensary licenses. The application period ran from April 2018 through May 17, 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.

Pennsylvania Reporting Requirements

The Commonwealth of Pennsylvania uses MJ Freeway as the state's computerized T&T system. Individual licensees are required to use MJ Freeway to push data to the state to meet all reporting requirements. Vireo 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.

Puerto Rico

Puerto Rico Regulatory Landscape

On December 28, 2015, the Puerto Rico Health Department issued Regulation No. 8686 to regulate medical cannabis, which was later repealed by Regulation No. 8766, and amended by Regulation No. 8847, known as the Regulation for the Use, Possession, Cultivation, Manufacture, Production, Dispensation and Research of Medical Cannabis.

On July 9, 2017, the MEDICINAL Act, Act No. 42-2017, was enacted to reaffirm the legal framework for the medical cannabis industry and create the Medical Cannabis Regulatory Board (the "Regulatory Board"), ascribed to the Puerto Rico Department of Health. On July 2, 2018, the Puerto Rico Health Department and the Regulatory Board issued Regulation No. 9038 which repeals all prior regulations ("Reg. No. 9038"). Therefore, the current legal framework surrounding Medical Cannabis consists of the MEDICINAL Act, Reg. No. 9038 and the administrative orders, bulletins and forms issued thereunder.

The MEDICINAL Act prohibits the recreational use of cannabis and only allows the use of medical cannabis by licensed patients who have obtained a recommendation from an authorized physician due to a debilitating medical condition. There are 27 debilitating medical conditions identified in Reg. No. 9038, and the Board's Medical Advisory Council is authorized to recommend and the Board may approve additional conditions.

Medical cannabis may be provided to patients as oral drops, oral inhalers, suppositories, transdermal patch, edible products, concentrates, pill, topical (lotions, balms and patches) or through the vaporized delivery method (under certain exceptions). Smoking is specifically prohibited and medical cannabis products may not be used in public places.

Resulting Issuer Licenses in Puerto Rico

XAAS, which subject to the closing of the acquisition by Vireo will be a subsidiary of Vireo, holds pre-qualifications, which are subject regulatory approvals, to operate six dispensaries as well as a cultivation and processing facility located in Pugnado Vegas Baja.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
XAAS Agro, Inc.	Application # 2016-06-0008	Pugnado Vegas Baja	5/21/19	1 cultivation/processing facility license
XAAS Agro, Inc.	Application # 2016-06-0008	Arecibo, Bayamon, Caguas, Guaynabo, Guayama, Hormigueros	5/21/19	1 dispensary license prequalification

Puerto Rico Licenses and Regulations

The six types of licenses that medical cannabis establishments may obtain are: cultivation, dispensary, laboratory, manufacturing, research, and transportation. These licenses are valid for a one-year term. An entity may obtain multiple licenses. In order to obtain any of these licenses 51% of the ownership of the entity must come from Puerto Rico capital, as the term is defined in the Reg. No. 9038. As part of the license application process the Board reviews, among other things, fee payment, background check results, financial stability and capitalization, security and safety procedures, generally accepted agriculture, manufacturing, laboratory, and clinical best practices reports, and adequate insurance policies.

The MEDICINAL Act authorizes licensed medical establishments to make deposits in savings and loan institutions duly authorized to do business in Puerto Rico.

Importing cannabis or cannabis seeds to Puerto Rico is prohibited by the MEDICINAL Act.

Puerto Rico Reporting Requirements

The Regulatory Board uses BioTrackTHC as its inventory system to track commercial cannabis activity and seed-to-sale. Individual licensees are required to provide data to the Regulatory Board to meet all reporting requirements.

Rhode Island

Rhode Island Regulatory Landscape

The Edward O. Hawkins and Thomas C. Slater Medical Marijuana Act (“**Rhode Island Medical Marijuana Act**”) became law in 2006. However, the law did not explain how patients could legally purchase medical marijuana. In 2009 the law was amended to permit not-for-profit compassion centers to provide medical cannabis to qualifying patients. The law was again amended in 2010 to provide confidentiality for medical marijuana patient records. In 2011 Gov. Lincoln Chafee suspended the licensing program. Gov. Lincoln Chafee signed SB 2555 into effect in May 2012, which authorized state regulators to license three compassion centers. In 2016 the Rhode Island Medical Marijuana Act was overhauled with Article 14, which eliminated commercial sales by caregivers and introduced medical marijuana cultivator licenses.

Resulting Issuer Licenses in Rhode Island

High Gardens, Inc., Vireo’s wholly owned subsidiary holds a license as a Medical Marijuana Licensed Cultivator and owns a cultivation and processing facility currently located in Pawtucket, RI. The facility is comprised of 4,500 square feet of cultivation and processing space.

Holding Entity	Permit/License #	City	Expiration/Renewal Date (if applicable) (MM/DD/YY)	Description
High Gardens, Inc.	Number MMP CV 0109 (Class B)	Pawtucket	November 5, 2019	1 cultivation/processing facility license

Rhode Island Licenses and Regulations

Rhode Island’s medical marijuana program is regulated by the Rhode Island Department of Health. Cultivation licensing is handled by the Rhode Island Department of Business Regulation. Licensed cultivators may sell medical marijuana and medical marijuana products to registered compassion centers in accordance with the Act and Rules and Regulations Related to the Medical Marijuana Program Administered by the Department of Business Regulation, 230-RICR-80-05-1. All categories of cultivator applications must be accompanied by a non-refundable application fee of \$5,000. There are five (5) different cultivation license types in Rhode Island. The class are divided by the size of the facility and the annual license fee differs based on the class and ranges from \$5,000 to \$80,000. Cultivator licenses are issued for one year terms and must be renewed annually.

Rhode Island Reporting Requirements

Upon direction issued by the Department of Business Regulation, each compassion and licensed cultivator center is required to utilize the state approved Medical Marijuana Program Tracking System to document compliance with Rhode Island Medical Marijuana Act, the Department of Business Regulation Regulations, and the Department of Health Regulations, including but not limited to all “seed-to-sale” tracking.

Compliance Programs for Compliance with Applicable State Law in the United States

The Resulting Issuer is classified as having “direct” involvement in the U.S. marijuana industry by virtue of its Operational Subsidiaries and “indirect” or “ancillary” involvement by virtue of its non-licensed subsidiaries.

The Minnesota Department of Health (“**MDH**”) has opened an examination of the recordkeeping, inventory controls, and business operations of the Resulting Issuer’s subsidiary, MinnMed following MDH’s unannounced inspection of Vireo’s production facility in Otsego, Minnesota in November of 2017. This examination of MinnMed’s compliance is ongoing.

Other than as described above, the Resulting Issuer is in compliance with all other applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. Other than as described above, the Resulting Issuer 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.

The Resulting Issuer’s Chief Compliance Officer oversees, maintains, and implements the Resulting Issuer’s compliance program and personnel. In addition to the Resulting Issuer’s robust internal legal and compliance departments, the Resulting Issuer has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

The Resulting Issuer’s Chief Compliance Officer oversees compliance 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; and
- extensive ingredient and product testing, often beyond that required by law to assure product safety and accuracy.

The Resulting Issuer'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 the Resulting Issuer's computerized seed-to-sale system.

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

Further, the Resulting Issuer 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. The Resulting Issuer maintains accurate records of its inventory at all licensed facilities. Adherence to the Resulting Issuer's standard operating procedures is mandatory and ensures that the Resulting Issuer's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Resulting Issuer 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, then-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. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Resulting Issuer continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations of its subsidiaries and business partners 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, the Resulting Issuer retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- 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;
- The Resulting Issuer 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
- The Resulting Issuer 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.

On November 7, 2018, at President Donald Trump's request, Jeff Sessions resigned from his position as Attorney General, and his Chief of Staff, Matthew Whitaker, a former U.S. Attorney

for the Southern District of Iowa, was appointed Acting Attorney General. It is unclear how this change may impact the state-legal cannabis industry in the U.S. The Resulting Issuer will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Resulting Issuer'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 the Resulting Issuer. 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 the Resulting Issuer

General Business of Vireo

The below description of Vireo will become the Resulting Issuer's business upon closing of the Business Combination.

Vireo was organized as a limited liability company under Minnesota law on February 4, 2015 and converted to a Delaware corporation on January 1, 2018. Vireo's mission is to improve the world's health and wellness with cannabis products and expert advice.

Vireo is a physician-led company with a rapidly growing portfolio of cannabis and hemp licenses obtained through winning merit-based competitive application processes and strategic acquisitions that spans across 11 states and Puerto Rico. The company has also entered into joint venture agreements designed to enhance its revenues, reduce its operating expenses and generate meaningful intellectual property.

Vireo's cannabis subsidiaries are licensed to cultivate cannabis in environmentally friendly greenhouses, manufacture pharmaceutical-grade cannabis extracts in state-of-the-art laboratory and processing facilities and sell its products through company-owned dispensaries or to third-party dispensaries. Where permitted, company-owned dispensaries also carry cannabis products manufactured by third-parties.

Upon completion of all contemplated transactions, Vireo will have more than 400 employees and the company's leadership team is comprised of physicians, scientists, and individuals with extensive expertise in finance and marketing that have been successful in a variety of settings and bring a broad spectrum of experience in business, operational and finance practices and evidence-based medicine.

The company's founder, Kyle Kingsley MD, is a board-certified emergency medicine physician, entrepreneur, and inventor. He was inspired to launch Vireo after encountering numerous patients who successfully used cannabis to effectively alleviate their pain and suffering.

Summary of Operating Businesses

Vireo obtained its first five cannabis licenses – in Minnesota, New York, Pennsylvania, Maryland and Ohio – through competitive application processes and recently acquired six companies with cannabis licenses in Arizona, Massachusetts, Nevada, New Mexico, Puerto Rico and Rhode Island.

In addition, the company has entered into binding letters of intent to acquire two cannabis dispensary licenses (See *Pipeline Transactions*) in California.

Upon the successful closing of the Pipeline Transactions (detailed in the previous section), Vireo's cannabis portfolio will include licenses in eleven states and Puerto Rico, of which (subsidiaries in AZ, MN, NM, NY and PA) are revenue-generating and six of which (MD, OH, MA, NV, PR and RI) are in various pre-revenue stages.

In addition, Vireo has taken the necessary steps to enter the industrial hemp market and holds two hemp licenses through its wholly-owned subsidiaries, -- Midwest Hemp Research in Minnesota and 1776 Hemp in New York. Vireo has also entered into a non-binding letter of intent to acquire a Minneapolis-based nutraceutical company with a twenty-year operating track record.

If completed, the Company will leverage its' acquisition of Vireo Nutraceuticals' GMP-certified and FDA-approved facility, along with the intellectual property associated with Vireo Nutraceuticals' manufacturing of more than 100 nutraceutical SKUs, to enter the over-the-counter and online CBD market, by offering high-quality CBD-products sourced from industrial hemp. It will also help Vireo significantly expand its current cannabis product offerings by leveraging existing innovative nutraceutical formulations and delivery technologies.

Vireo has also entered into two strategic joint-venture agreements designed to augment and diversify its revenues and reduce its operating expenses.

Vireo executed a non-binding letter of intent to enter into a joint-venture aimed at generating cost-effective revenues outside the United States with a Canadian licensed producer ("**Canadian LP**") that will operate a cutting-edge production facility and specializes in premium cannabis products. Pursuant to this non-binding letter of intent, Vireo and the Canadian LP would each own 50% of a new corporation in Canada ("**JVCo**"). It is anticipated that the JVCo would focus on the distribution of pharmacy-grade extracts produced by the Canadian LP using Vireo's extraction and product knowledge and branded with Vireo's current and future brands ("**JVCo Products**"). The JVCo would operate in Canada and all current and future countries permitting the import of Canadian extract products, with a likely focus on countries in Western Europe which permit the import and sale of Cannabis.

A second non-binding joint-venture agreement, under the working name of "Vipex," is aimed at reducing the manufacturing costs of cannabis and hemp at agricultural scale was signed with a global leader in the engineering and distribution of custom industrial mechanical processes and systems ("**Industrial Equipment Company**"). Under this agreement, Vireo and the Industrial Equipment Company intend to jointly develop processes and specialized equipment for more efficient and cost-effective processing of cannabis and hemp. This joint venture aims to build commercially viable systems that will rapidly commoditize large scale cannabis oil production.

Vireo intends to continue to expand its footprint into multiple new states through cost-effective and opportunistic strategies which involve participating in competitive application processes and acquiring existing licensees.

Market Overview

Medical and adult-use cannabis laws vary by state and the detailed provisions of these laws, to a large extent, inform patient enrollment numbers and consumer demand.

In general, medical-cannabis laws identify qualifying medical conditions, outline protocols for patient registration, stipulate how much cannabis can be dispensed in a given period and its method of administration.

In many states, qualifying conditions include chronic pain, multiple sclerosis, severe nausea, cancer, HIV/AIDS, glaucoma, epilepsy, and wasting syndrome. Most states require patients to apply for a registration ID card once they have been approved by a healthcare professional for cannabis use.

According to a recent study from Arcview Market Research, spending on legal cannabis worldwide is expected to hit \$57 billion by 2027, with adult-use accounting for 67% of the spending and medical and therapeutic products making up the remaining 33%. Among other key findings, the Arcview study projects that the North American market alone will grow from USD \$9.2 billion in 2017 to USD \$47.3 billion by 2027.

According to the National Conference of State Legislatures, medical cannabis has been legalized in 33 states, approved for the treatment of indications including anxiety, insomnia, inflammatory bowel disease, weight loss associated with cancer treatment or HIV/AIDS, and chronic pain. Regulatory approval for the treatment of chronic pain opens a significant opportunity, as several studies have suggested that cannabis is a potential alternative to potentially addictive and deadly opioids.

To date, ten states have approved adult-use cannabis and other states like Minnesota, New York and New Jersey are widely expected to follow. Nationally, more than 2.1 million patients have registered for their state programs and about 60 percent of Americans now live in States with laws that allow for the medicinal and/or recreational use of cannabis. The country's ten largest state-based markets have patient enrollment levels ranging from 0.3 percent to 3.8 percent of their respective state populations.

Table I – Top 10 State Medical Cannabis Markets, by Patient Count as of September 2018

Rank	State	Population	Registered Patients	Percentage of Population
1	California	39,849,872	1,526,250	3.8%
2	Maine	1,327,472	42,858	3.1%
3	Michigan	9,935,116	297,210	3.0%
4	New Mexico	2,084,193	57,700	2.8%
5	Montana	1,052,343	26,549	2.5%
6	Arizona	7,026,629	174,226	2.5%
7	Rhode Island	1,059,080	18,728	1.8%
8	Colorado	5,658,546	88,143	1.6%
9	Hawaii	1,454,295	22,078	1.5%
10	Oregon	4,144,527	39,410	0.95%

Since Vireo was founded, Vireo has also worked hard to develop local relationships and support community-based programs. In Minnesota, Vireo partnered with Elk River High School and

annually awards S.T.E.M. Scholarships to graduating seniors that have strong interests in science, technology, engineering and math.

In Pennsylvania, Vireo partnered with the Greater Scranton Chamber of Commerce to recruit local and diverse talent and host local career expos. Vireo also became an official member of The Greater Scranton Chamber of Commerce and is believed to be the first medical marijuana member in the organization's 150-year history.

Business Strategy

Vireo's next 12-month growth period will be focused on enhancing long-term shareholder value by pursuing the following "three-legged stool" strategy:

1. Cost-effective, opportunistic expansion of cannabis and hemp businesses;
2. Creating a best-in-class, professional, highly personalized and scientifically-informed retail and online customer experience; and
3. Developing high quality intellectual property focused on large scale cannabinoid production, compelling new brands and proprietary formulations.

Opportunistically and Cost-Effectively Expand Cannabis and Hemp Businesses

Cannabis

Vireo plans to leverage its medical, scientific and operational expertise to efficiently expand its operation in existing markets and enter new markets. Vireo takes a three-pronged, highly opportunistic approach to expansion.

- Merit-Based Licenses: Vireo obtains licenses by participating in select, merit-based competitive application processes with a limited number of licenses awarded by the state regulatory bodies. Vireo also prefers to select states that it considers more likely politically to limit the number of licenses issued.

Vireo has successfully obtained licenses in Minnesota, New York, Pennsylvania, Maryland and Ohio through merit-based application processes. Vireo expects several merit-base application opportunities to become available in 2019, including medical cannabis licenses in the States of Missouri and Utah and adult-use licenses in the state of New Jersey.

Vireo expects to continue to apply for highly competitive, merit-based medical cannabis licenses which may become available as states, which currently have not legalized any form of cannabis use, begin to introduce regulatory and licensing frameworks for different forms of cannabis legalization.

- Existing License or Operations Acquisitions: Vireo applies the same general standards to acquisitions, focusing on early stage affordable cannabis licenses again with a focus on states or municipalities with limited number of licenses.

In 2019, Vireo expects to launch operations with recently acquired licenses in Rhode Island, licenses expected to be acquired pursuant to the Acquisitions in Massachusetts, Nevada and Puerto Rico and recently awarded licenses in Ohio and Pennsylvania. Vireo also anticipates launching its New York-based hemp processing facility in the coming year.

- Expansion in Existing Markets: For newly launched or existing operations, the Vireo finance and marketing teams collaborate to determine whether additional expansion-focused and improvement-focused investments are warranted to improve customer access or increase market share. The Vireo policy team also advocates for meaningful legislative and policy changes to help expand existing markets and improve patient access.

In 2019, Vireo intends to engage in significant expansion and augmentation of existing facilities.

Minnesota – Vireo will expand its cultivation and manufacturing facilities to increase its capacity for continued growth in the medical cannabis program and potential passage of adult-use legislation. The company will also rebrand its four or more MinnMed dispensaries ‘Green Goods.’

New York – Vireo will expand its manufacturing facilities to increase its capacity for continued growth in the medical cannabis program and potential passage of adult-use legislation. Vireo will also rebrand its dispensaries ‘Green Goods.’

Pennsylvania – Vireo will continue to expand its 89,000 square foot cultivation and processing facility and was recently awarded a license to operate up to three additional dispensaries in Pennsylvania.

Maryland – Vireo is in the process of final licensure for a dispensary in Maryland and will augment its manufacturing facility as needed.

Vireo will also work to assess the expansion needs of its newly acquired operational business in Rhode Island, and its proposed acquired operational businesses, including in Arizona and New Mexico.

Hemp

In addition, by mid-2019, Vireo anticipates growing and diversifying its revenues with the sale of CBD products, sourced from industrial hemp. Assuming the acquisition of Vireo Nutraceuticals is successful, these products will be manufactured through Vireo Nutraceuticals’ state-of-the-art facility and made available to consumers, in all 50 states, through the following channels.

- Direct to consumer sales channels through multiple owned brands (B2C) both via mail/online orders and retail locations including the Vireo dispensary network; and
- Medical and health professional products division (B2B).

Customer Experience

Vireo aims to fuse the best of traditional cannabis culture with its more professional medical and scientific expertise providing the most robust experience for all categories of cannabis customer. To do so, Vireo is rebranding its dispensaries as ‘Green Goods’ and rolling out a portfolio of Health & Wellness brands appealing to medical and adult-use consumers.

The Vireo professional dispensary team will have strong knowledge of all offerings in the ‘Green Goods’ dispensaries but will have deep-domain understanding for the philosophy and science behind the Vireo brands which bring a new level of sophistication to the space. This one-two of professionally derived, evidence-based products and strong brands sold by astute professionals will lead to the best possible customer experience and outcomes.

The 'Green Goods' dispensary experience is being developed in partnership with Tersigni Palachek, a boutique New York design firm, led by designers Michael Tersigni and David Palachek. With their partnership, 'Green Goods' will be an inviting environment, focused on an elevated, personalized customer experience and superior service provided by a knowledgeable staff and on-site pharmacists.

The new dispensaries will feature multiple ordering and fulfillment options for customers, including in-store, expedited, self-ordering stations and home delivery, as permitted under state regulations. Vireo home delivery programs will leverage Vireo's proprietary home delivery platform that has proven successful serving customers throughout the Greater New York City area, one of the most congested and logistically complex areas in the United States.

The dispensaries will also provide several methods and levels of consultation, including a 'Knowledge Bar' for patients seeking general product information and private or semi-private consultation spaces, all focused on providing a personalized experience.

Vireo has also invested significantly in the design, packaging, and marketing of its products and is partnering with Design Replace, a Minneapolis-based firm to roll out a portfolio of premium brands appealing to different consumer demographics, as permissible under applicable laws.

Intellectual Property

Vireo currently has an expansive portfolio of pending patents with the USPTO. The company's scientific and engineering teams will continue to focus on developing high-quality intellectual property associated with the large-scale cannabinoid production, high-quality brands and proprietary formulations.

A joint-venture agreement, aimed at reducing the manufacturing costs associated with the large-scale processing of cannabis and hemp, was recently entered into with Industrial Equipment Company, a global leader in the development and distribution of custom industrial process systems. Under this agreement, Vireo and Industrial Equipment Company intend to jointly develop processes and specialized equipment for more efficient and cost-effective processing of cannabis and hemp on an agricultural scale.

In addition, Vireo seeks to bridge the gap between medical cannabis and traditional pharmaceuticals by building a product formulary and system that eventually will become accepted by mainstream medicine including, potentially, FDA-path botanical formations and other medications.

Vireo has already developed significant in-house expertise in the areas of pharmaceutical formulation technology, cannabinoid medicine and patient delivery models that positions Vireo at the forefront of the medical cannabis industry.

Given the troubling fact that more than 25 million American adults suffer from severe daily pain and that acute and chronic pain affects large numbers of Americans, with approximately 100 million U.S. adults burdened by some degree of chronic pain, Vireo's initial focus will be on developing cannabis-based medications for the treatment of pain in lieu of opiate-based medications.

Beyond specific, high quality pain solutions, Vireo intends to embrace formulations focused on the health and wellness space, which appeals to both medical and adult-use cannabis consumers. This space includes cannabis products directed at individuals looking for assistance with insomnia, anxiety and general well-being.

Vireo has also invested significantly in the design, packaging, and marketing of its products and is working with Design Replace, a Minneapolis-based firm on a portfolio of brands that target multiple key demographics, as permissible under applicable laws.

Consistent with its primary focus on pain, Vireo has entered into exclusive license and supply agreements with Ligand Pharmaceuticals, Inc. for its patented Captisol® pharmaceutical formulation technology for use in the development and commercialization of cannabinoid-based medications (See Section 4.1(3) - *Production and Sales* below).

Vireo is also working with partners in the nutraceuticals space to develop best-in-class botanical formulations and engineering partners in the development of custom industrial process systems, to create the machinery and processes needed to facilitate cost-efficient and large-scale cannabinoid production.

Significant Events and Milestones

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

1. Financings: To date, Vireo has raised \$62 million from equity and debt. Concurrent with this listing, the Resulting Issuer expects to raise an additional \$50 million, which will provide approximately 120% more capital than is called for in Vireo's base case financial projections.
2. Talent Recruitment and Retention: In addition to being one of the only physician-led cannabis companies in the United States, Vireo currently employs four medical doctors on a full-time basis and plans to significantly expand its medical, scientific and manufacturing teams as it continues to grow.
3. Building Continued Credibility in Medical Research: Vireo will continue to engage scientists and physicians to serve on its scientific advisory board, pursue research collaborations with local universities and health care institutions, and actively participate in medical conferences.
4. Continued Geographic Expansion: Vireo's base case financials call for continued expansion throughout the country, as outlined above. Moving forward, Vireo will expand by continuing to participate in select, competitive, state-based application processes and by selectively acquiring new licenses and existing operators.
5. New Facility Construction: To achieve its goals, Vireo will continue to open and/or expand its cultivation, processing, and manufacturing licenses as well as retail dispensaries.
6. Regulatory Approval: Vireo's 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 Vireo's cannabis finished packaged goods, and marketing of Vireo's retail stores in the United States. Regulatory delays and any failure to receive patents on key products may affect outcomes.

The capital required for Vireo's projected growth for the next 12 months is approximately \$50 million, broken down as follows:

<u>Growth</u>	<u>In 000's of \$</u>
Cash Component of Acquisitions	15.2
Closing Costs	4.5
Growth Capital	9.8

<u>Estimated Capital Expenditures</u>	
Dispensary	5.2
Manufacturing	14.3
Hemp	1.0
Total Estimated Capital Expenditures	20.5
Total Use of Funds	50.0

Under Vireo's current operating plan, management believes that this funding will be sufficient to finance its' continued operations, and finance its' expansion into several new markets, assuming continued revenue from existing and new operations. Whether and to what extent Vireo will need additional capital financing will depend in part on the results of the Financing and the ability of Vireo's existing operations to become profitable to support the Resulting Issuer's continued expansion.

The foregoing allocation of net proceeds is based on Vireo's assumptions concerning its business objectives, finances and other matters affecting the company (See "**Purpose of Funds**" below). If current assumptions are not accurate, or other unforeseen conditions affecting the company's business arise, there could be material changes to the company's projections and the company could find it advisable to allocate the net offering proceeds in a manner different from that described above or to seek additional financing sooner than currently contemplated.

Total Funds Available

The pro forma working capital position of the Resulting Issuer as of September 30, 2018, giving effect to the Business Combination as if it had been completed on that date, was approximately \$32.05 million.

As at September 30, 2018, the Corporation had a Working Capital of \$224,664 and as at September 30, 2018, Vireo had a Working Capital of \$38,362,993. Subsequent to that interim period, Vireo raised \$17.3 million through its Class D Financing to accredited investors. Vireo successfully completed three equity funding rounds totaling approximately \$23 million. A "Seed Round" of \$3.6 million in July of 2014, a "Class A" round of \$13 million in February 2015, and a "Class B" round of approximately \$6,300,000 dollars in late 2015 and early 2016.

The Resulting Issuer will use these funds to grow as outlined above. Additionally, Vireo expects to have positive cash flow from operations to fund its ongoing operations in its existing markets by sometime in 2020.

The consolidated pro forma balance sheet of the Resulting Issuer, which gives effect to the Business Combination as if it had been completed on September 30 2018, is attached hereto as Schedule "E".

The Financing

Pursuant to an agency agreement dated March 18, 2019 (the “**Agency Agreement**”), Vireo engaged Eight Capital as co-lead agent and together with Canaccord Genuity Corp. (“**Canaccord**”), as joint bookrunner on behalf of a syndicate of agents (collectively with Eight Capital and Canaccord, the “**Agents**”), completed a brokered and non-brokered private placement of Subscription Receipts at a price of \$4.25 per Subscription Receipt (the “Offering Price”) for aggregate gross proceeds of approximately \$51 million.

Each Subscription Receipt was automatically exchanged for one common share of Canadian Finco immediately prior to and in connection with the completion of the Business Combination without payment of additional consideration or further action on the part of the holder.

In connection with the Subscription Receipt Offering, Vireo paid an aggregate cash fee to the Agents equal to \$3,241,738. As additional consideration, the Agents were granted an aggregate of 763,111 compensation warrants (“Compensation Warrants”). Following the closing of the Business Combination, each Compensation Warrant is exercisable for one Subordinate Voting Share at the Subscription Receipt Offering Price for a period of 24 months following the effective date of the Business Combination.

Purpose of Funds

Upon completion of the Business Combination, the Resulting Issuer expects to have approximately \$35 million available to support its efforts to develop an intellectual property portfolio, produce and sell cannabis, expand to other markets and to use 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. 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 current objectives for the forthcoming 12-month period.

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, Vireo is not able to obtain bank financing in the United States or financing from other United States federally regulated entities. Importantly, Vireo does have banking relationships with several state-chartered banks and is currently using these banks to conduct day-to-day operations.

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

To help provide Vireo with additional growth capital, it recently established a relationship with IIP, a NYSE-listed REIT that targets medical-use cannabis facilities for acquisition, which resulted in two transactions, together totaling \$8.4 million. In late 2017, IIP acquired from Vireo two cannabis cultivation facilities in sale-leaseback transactions – one in New York and one in Minnesota – for \$8.4 million, which includes a \$1.0 million tenant improvement allowance

available in each transaction for additional improvements at each property. In April 2018, Vireo closed on the sale-leaseback of its property in Pennsylvania with IIP and received approximately \$8.6 million from that sale. In late 2018, IIP agreed to provide additional funds for tenant improvements at the Minnesota, New York and Pennsylvania facilities in the amounts of \$2.0 million, \$2.0 million and \$1.0 million, respectively.

Nevertheless, there can be no assurance that Vireo will not need additional capital. And 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) Distribution and Sales of Principal Products or Services

Distribution and Sales of Principal Products or Services

The Resulting Issuer will offer products and services across four categories:

- Cannabis Products
- Hemp Products
- Cannabis & Hemp Processing Equipment
- Nutraceutical Products

Cannabis Products

The Resulting Issuer, through Vireo, is focused on building recognizable and trusted cannabis brands among patients, physicians, adult-use consumers and members of the communities in which it operates.

Vireo currently produces five primary product lines based on its patent-pending formulation and labeling process. See Section 4.1(3) - *Production and Sales – Production* for a description of Vireo's formulation and labeling process. The specific brands vary by state and specific regulatory requirements.

Each product line comes in the following forms of administration: capsules, oral solutions, vaporizer cartridges, topicals (balms and ointments) or bulk oil for use in vaporizer devices. These product lines are designed based on current clinical evidence. Vireo's product line also ranges from a high THC:CBD ratio (with only minimal CBD) to a high CBD:THC ratio (with only minimal THC). The products in between represent a gradient in the THC to CBD ratio, including a balanced mix of approximately 1:1. All of Vireo's formulations represent whole-plant extracts with background secondary cannabinoids, terpenes, flavonoids and other natural compounds. No synthetic materials are used. Specific terpene profiles are superimposed to provide "strains-specific" extracts and oils in some states.

- **HIGH THC RATIO:** This formulation comprises plant extract with high THC (19:1) and a minimal "CBD floor" content to inhibit side effects.
- **THC DOMINANT RATIO:** This formulation comprises a plant extract with a 6:1 THC:CBD ratio. This is an intermediary for patients who want a THC product with a ratio that is higher than 1:1 but less than 19:1.
- **BALANCED THC to CBD RATIO:** This formulation comprises a plant extract with THC and CBD in approximately equal proportions (1:1 CBD:THC ratio).

- **CBD DOMINANT RATIO:** This formulation comprises a plant extract with a 1:6 THC:CBD ratio. This is as in intermediary for those patients who want a higher CBD product than 1:1 but less than 19:1.
- **HIGH CBD RATIO:** This formulation comprises a whole plant extract with predominantly CBD and a much smaller amount of THC (19:1 ratio of CBD:THC). This product is for customers looking for a CBD product that does not cause intoxication.

Vireo's products are formulated to deliver accurate, precise and consistent dosage. Some representative product types, formulations and THC/CBD content are shown in the table below.

Brand	THC: CBD Ratio	Formulation Type	THC (mg) per dose	CBD (mg) per dose
HIGH THC	19:1	Capsule	4.75	0.25
HIGH THC	19: 1	Vaporizer	2.375	0.125
HIGH THC	19:1	Oral solution	11.875	0.625
HIGH THC	19:1	Bulk Oil	2.375	0.125
THC DOMINANT	6:1	Capsule	4.3	0.7
THC DOMINANT	6:1	Vaporizer	2.14	0.36
THC DOMINANT	6:1	Oral Solution	12	2
THC DOMINANT	6:1	Bulk Oil	2.14	0.36
BALANCED	1:1	Capsule	2.5	2.5
BALANCED	1:1	Vaporizer	1.25	1.25
BALANCED	1:1	Oral Solution	12.5	12.5
BALANCED	1:1	Bulk Oil	1.25	1.25
CBD DOMINANT	1:6	Capsule	0.7	4.4
CBD DOMINANT	1:6	Oral Solution	3.5	21
CBD DOMINANT	1:6	Bulk Oil	0.36	2.14
HIGH CBD	1:19	Capsule	2.5	47.5
HIGH CBD	1:19	Oral Solution	1.25	23.75

To decrease the incidence of adverse effects, Vireo has followed an emerging, evidence-based principle that cannabis derived medications should contain a minimum amount of CBD, to serve as what has been termed a “CBD Buffer”. The physiologic effects of THC and CBD are synergistic in mechanism, and CBD can ameliorate some of the unwanted side effects of THC.

Vireo has also developed a new cannabis plant that is extraordinarily high in cannabidiol (CBD). Independent third-party laboratory analysis found that Vireo's new cannabis strain had a CBD-to-THC ratio of 34-to-1. The CBD-to-THC ratio of cannabis typically sold for medical use is around 1-to-1, and around 20-to-1 for "Charlotte's Web," a particularly high-CBD strain used in medicines.

The company named the strain "Katelyn Faith" in memory of a young Minnesota girl who passed away due to complications from seizures and Batten's disease prior to the Minnesota cannabis law going into effect. The Katelyn Faith strain was discovered through Vireo's meticulous process of developing scores of plant strains and testing the content of each strain in its in-house laboratory.

Extracts from Kaitlyn Faith plants are currently included in multiple products of Vireo's Minnesota subsidiary. With that said, given current regulations, this plant cannot be used outside of Minnesota. As federal laws evolve there may be opportunities to leverage this plant in other jurisdictions.

Vireo currently sells and distributes a suite of products through the following three primary sales channels:

1. **Vireo Dispensaries** – Vireo owns and operates four dispensaries in each of New York and Minnesota and operates one dispensary in Arizona and two dispensaries in New Mexico with anticipated substantial expansion in the number of dispensaries in these states and the potential addition of dispensaries in Pennsylvania (license to operate 3 dispensaries recently granted), Maryland (pre-approval granted), Puerto Rico (licensed for 6 dispensaries), New Mexico (licensed for a total of 6 dispensaries), Massachusetts and potentially, California.
2. **Vireo Home Delivery** – in New York, Vireo offers home delivery service throughout New York City, Long Island, Westchester, Rockland County and Putnam Counties. Vireo plans to add home delivery in Minnesota, Pennsylvania, Arizona and other states as allowed by applicable law and regulation.
3. **Vireo Wholesale** – Vireo recently launched its wholesale channel in Pennsylvania and is in the process of launching its wholesale business in New York and Maryland.

Currently, Vireo dispensaries provide the Company with a majority of its revenues. All of Vireo's medical dispensaries resemble a welcoming, modern medical office and are staffed with pharmacists, pharmacy technicians and other professionals who have received special training in cannabis medicine and customer service.

Vireo NY's home delivery service is growing at a strong pace and the wholesale channels developing in multiple states may ultimately prove to be the Company's strongest revenue generator.

Vireo has also invested significant resources to develop a user-friendly website and online ordering system which allows patients to submit online orders for in-store pick up or home delivery. Vireo often runs special promotions targeting 'digital' patients.

In November 2017, Vireo NY launched New York's first-ever "Cyber Monday" sale of medical marijuana products purchased online allowing patients to submit online orders for a 24-hour period, beginning at midnight on Monday, November 27th through 11:59 p.m. that same day. All online orders for in-store pick up and home delivery totaling \$100 or more automatically

received a \$25 discount. The promotion was repeated in 2018 and was well received by customers.

With the Pennsylvania facility becoming operational Vireo has also moved into the wholesale market. To become a dominant player in the competitive wholesale market, Vireo has onboarded a highly skilled director of wholesale operations whose sole focus is to build customer relationships and drive wholesale revenues. To date, Vireo's wholesale efforts have been primarily focused on the Pennsylvania market.

Vireo 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.

The following operating markets have accounted for at least 15% of Vireo's sales of the products listed above in the two most recently completed financial years:

- *Minnesota:* In 2017, Vireo sold almost \$5 million worth of products. In 2016, Vireo sold more than \$2 million in products.
- *New York:* In 2017, Vireo sold more than \$6 million in products. In 2016, Vireo sold more than \$2 million in products.

Hemp Products

Vireo is actively working on manufacturing and selling CBD products, sourced from industrial hemp. Assuming the acquisition of Vireo Nutraceuticals is consummated, these products will be manufactured through Vireo Nutraceuticals' state-of-the-art facility and made available to consumers, in all 50 states, through the following channel:

- Direct to consumer sales channel through multiple owned brands (B2C)
- Contract manufacturing / Private label (B2B)
- Medical and health professional products division (B2B)

Cannabis & Hemp Equipment

Vireo plans to develop specialized equipment for more efficient and cost-effective processing of cannabis and hemp through the Vipex Joint Venture it has entered into with Industrial Equipment Company. If consummated as planned, this joint venture will offer cannabis and hemp companies commercially viable systems designed to facilitate large scale cannabis oil production. These systems will be sold through business-to-business sales channels.

Nutraceutical Products (Non-Cannabis)

Contingent upon the acquisition of Vireo Nutraceuticals contemplated by the non-binding letter of intent, Vireo Nutraceuticals will continue to provide more than 60 physician-developed nutritional products ranging from dietary supplements to functional foods in a wide variety of forms including liquids, gels, oils, capsules, tablets and powdered products.

Research and Development

Research

Vireo's research and development activities are primarily focused on developing cannabinoid-based medications for the treatment of acute and chronic pain, a condition that afflicts more

than 100 million Americans. Research projects focus on safety, efficacy, pharmacokinetics, and establishing Vireo products as a trusted alternative to opioid medications. Vireo also has numerous patents pending on several products developed by Vireo's experienced science and medical teams. To further support these endeavors, Vireo has assembled a scientific advisory board to help guide Vireo's research and development priorities as well as advise on strategic partnerships with universities and other entities.

Vireo's Current Clinical Research

With time-tested standardized products and thousands of active patients, Vireo has participated in Institutional Review Board-approved research to further the clinical understanding of cannabis as medicine.

In August 2017, the National Institute of Health (“**NIH**”) awarded a \$3.8 million research grant to Albert Einstein College of Medicine and Montefiore Health System for medical marijuana research. This grant represents the first long-term study to investigate whether treatment with medical marijuana can lead to a reduction in opioid use in adults with chronic pain.

NIH has begun recruitment of patients from one of Vireo's New York dispensaries which aims to enroll 250 HIV-positive and HIV-negative adults with chronic pain who use opioids and who have received certification from their physicians to use medical marijuana. In over 18 months, the study subjects will complete web-based questionnaires every two weeks, which will focus on pain levels and the medical and illicit use of marijuana and opioids. They'll also provide urine and blood samples at in-person research visits every three months. In addition, in-depth interviews with a select group of these participants will explore their perceptions of how medical marijuana use affects the use of opioids.

In Minnesota, recruitment is wrapping up for a collaborative project with Vireo titled CanCan (Cannabis in Cancer), under the guidance of principal investigator Dr. Dylan Zylla. This randomized trial in patients with newly diagnosed, stage IV cancers is a pilot aimed at assessing the impact of medical cannabis on opioid use and cancer-related symptoms. Vireo has been working closely with Dr. Dylan Zylla and the CanCan multidisciplinary team to develop leading edge dosing protocols for this randomized crossover trial.

Vireo worked closely with Northwell Health on a research project titled: *Older Adults' Use of Medical Marijuana For Chronic Pain: A Multi-Site Community based Survey*, which examined geriatric patients taking medical marijuana and their perspective on pain relief, stigmatization, and side effects. The research concluded that the benefits of medical cannabis in older adults include an overall decrease in pain and a reduction in analgesic use and that medical cannabis as a treatment is well tolerated and readily accepted. This research was selected for the Presidential Poster Session at the 2018 Annual Scientific Meeting of the American Geriatrics Society.

At the University of Minnesota, Vireo has worked in close collaboration with researchers Ilo Leppik, MD and Angela Birnbaum, PhD related to the pharmacokinetics of CBD. Presented in 2017 at the International Conference: "Epilepsy, Mind & Brain" and published ahead of print in the Journal Therapeutic Drug Monitoring on December 4, 2018, this research included the development of novel plasma assays that will form the framework for many future research studies. A sensitive, robust method was developed and validated to simultaneously quantitate thirteen major cannabinoids and metabolites in human plasma by liquid chromatography tandem mass spectrometry in adult epilepsy patients.

As part of the exclusive license and supply agreement Vireo has entered into with Ligand Pharmaceutical for use of their patented formulation technology known as Captisol™, Vireo is working in conjunction with Ligand Pharmaceuticals to develop cannabinoid-based drugs with increased water solubility. Ligand Pharmaceuticals' patented Captisol™ is an ingredient in several FDA-approved medications and designed to enable the creation of new products by significantly improving solubility, stability, bioavailability and dosing of active pharmaceutical ingredients. Vireo's current research has resulted in the filing of a patent application covering novel cannabinoid formulations with increased water solubility.

Vireo is a Founding Research Partner with the mmj.org initiative – a collaboration between The Lambert Center for the Study of Medicinal Cannabis and Hemp at Thomas Jefferson University and ioVita, a digital health company focused on technology to connect and empower patients living with chronic diseases. This initiative will attempt to bring together diverse stakeholders in the cannabis therapy space to advance scientific understanding of medical cannabis and provide evidence-based resources for patients and their caregivers. The first focus of the mmj.org initiative is a national patient registry in which more than 100,000 medical cannabis patients will share their health outcomes to drive new understanding of the safety and medical utility of cannabinoids used as therapy. The goal will be to create one of the largest and most comprehensive clinical database yet accumulated in the emerging field of medical cannabis.

Vireo also offers educational materials, seminars and other educational programs designed to respond to the needs of physicians interested in recommending cannabis to their patients and regularly pursues research collaborations with major research universities and health care institutions and routinely participates in medical conferences.

Development

Vireo invests significantly in its research and development efforts. As a result of the various research Vireo has participated in, the following products are currently under development.

Custom Extract Dispenser (Patent-Pending): The ability to dispense user customizable cannabis extracts at a point of sale represents a significant unmet need in both the medical and adult use cannabis markets. Vireo has developed a novel cannabis extract dispenser that enables end users to purchase a customizable extract that meets that user's individual specifications. The extract dispenser may also find utility as a tool for creating bulk formulation solutions at larger scale production facilities.

Harm Reduction Additive for Tobacco Products (Patent-Pending): Vireo has developed a cannabis-based, non-psychoactive additive that may be formulated into tobacco products to mitigate some of the risks associated with tobacco use.

Method for Treating Antidepressant Withdrawal Syndrome (Patent-Pending): The cessation of antidepressant use is associated with a constellation negative side effects, collectively referred to as antidepressant withdrawal syndrome ("AWS.") Vireo recognized the potential utility of cannabis-based products for the treatment / mitigation of AWS and filed a patent application covering methods for treating AWS with cannabis-based products.

Captisol Enabled Water Soluble Cannabinoid Formulations: Vireo has developed and is in the process of refining water-soluble cannabinoid formulations suitable for use for intravenous injection. These formulations were created utilizing Captisol solubilization enhancer, for which Vireo has an exclusive license for use with cannabinoid containing products.

Cannabis Moist Snuff Composition (Patent-Pending): Vireo has developed a cannabis based moist snuff composition out of a waste product of cannabis production that may provide a safer alternative to tobacco based moist snuff products.

Non-Cannabinoid Negative Control Formulations (Patent-Pending): Vireo has developed a line of negative control products that contain the flavor profile of cannabis without the presence of bioactive cannabinoids. These products may find broad acceptance as negative control products in a wide variety of placebo controlled clinical trials.

Terpene Preserving Packaging (Patent-Pending): Vireo scientists have developed novel packaging methods and materials that preserve, and if desired, enhance the terpene content of packaged cannabis flower.

Multi-Channel Vaporizer (Patent-Pending): Vireo has developed a vaporizer that will enable patients to adjust the ratio of cannabinoids and terpenes delivered by a single vaporizer.

Individual Dosing Portions for Room Temperature Solid Extract (Patent-Pending): Vireo has developed processes and products that will enable easy-to-handle, single use portions of room temperature solid extracts (“RTSE”) (waxes, shatter, budder, etc.). Furthermore, Vireo has developed a vaporizer specifically adapted for use with its innovative RTSE products that will further facilitate ease-of-use.

4.1(3) Production and Sales

Production

Vireo manufactures a wide array of cannabis-based products formulated from carefully curated cannabis strains. Vireo’s products are subject to rigorous internal and third-party analytical testing.

Vireo utilizes its substantial analytic and preparative chemistry capabilities and expertise to produce medications with novel cannabinoid concentrations and combinations, positioning Vireo as an expert in the production of tinctures, capsules, concentrates, and medical-grade oils and distillates for vaporization.

Vireo’s precise dosing and formulations are produced using the “Vireo Spectrum” process which has a patent pending. This process ensures Vireo products contain consistent doses of THC to CBD ratios across its products. The ratio of THC to CBD is widely believed to be a highly clinically significant phytochemical quantity in cannabis. Vireo believes that the Vireo Spectrum™ formulation and nomenclature system will emerge as the industry standard for the naming and classification of cannabis-derived medications.

As part of its research and development process, the company entered into exclusive license and supply agreements with Ligand Pharmaceuticals, Inc. for its patented Captisol™ pharmaceutical formulation technology for use in the development and commercialization of cannabinoid-based medications. The ability to use Captisol™ will help scientists and physicians at Vireo overcome formulation hurdles unique to cannabinoid-based products. Peer-reviewed scientific literature has supported the utility and potential for significant benefits of using cyclodextrins, which are present in Captisol™ with cannabinoids, illustrating improved solubility, chemical stability and bioavailability. Vireo’s goal is to incorporate Captisol™ into cannabinoid-based medicines in order to design novel, patent-protected, FDA-approved dosage formats that have been previously unavailable to physicians, caregivers and patients. Possible methods of administration include oral, nasal, topical and nebulized delivery.

Manufacturing Processes

Vireo's processing and manufacturing operations follow several key steps:

- *Plant Preparation*: Removal of leaves and flowers from the stems.
- *Granulation / Grinding*: Flower / leaf is ground into 300-600-micron diameter particles.
- *Decarboxylation*: Heating to convert acid forms of cannabinoids to their neutral form.
- *Extraction*: Decarboxylated plant matter is packed and extracted in supercritical CO₂ extractors.
 - NOTE: Vireo is in the process of implementing ethanol extraction in all of its manufacturing facilities, subject to regulatory approval where required, to improve operational efficiency by reducing the time and cost associated with the current extraction process.
- *Dewaxing*: The ethanol-extract solution is cooled to -20°C to precipitate the waxes which are subsequently filtered and removed.
- *Solvent Recovery*: The ethanol is removed through rotary evaporation and/or falling film evaporation.
- *Purification*: In some cases, marijuana extracts are injected onto a preparative 100 mm x 600 mm HPLC column to separate the CBD and the THC from the marijuana extracts or further purified via distillation.
- *Distillation*: Some extracts are distilled through a proprietary Vireo process to further eliminate impurities and concentrate cannabinoids and other plant components.
- *Creation of Stock Solutions*: Marijuana extracts of purified THC, CBD, and potentially other cannabinoids, terpenes, and flavonoids are mixed together to form stock solutions with known cannabinoid concentrations and specified THC to CBD ratios.
- *Formulation*: Dilution of the stock solutions to the desired concentration in a desired excipient.
- *Fill*: The formulation is placed into bottles, vials, cartomizers and capsules according to the product type.
- *Packaging*: The packaging is labeled and sealed and placed into secondary packaging.

Facilities

Cannabis Facilities

Throughout its facilities, Vireo places a heavy emphasis on customer/patient and employee safety and on maintaining strict quality control. The methods used in Vireo's facilities result in several key benefits, including consistent production of high-quality product and minimal product recalls and customer/patient complaints.

Minnesota: Vireo's Minnesota cultivation and processing facility is in Otsego, MN. The entire parcel of land is approximately 5 acres. The facility is comprised of 5,000 square feet of indoor cultivation space, 30,000 square feet of greenhouse cultivation space, and 1,800 square feet of laboratory and processing space. The balance of the land is unimproved excepting the ground work for another 40,000 square feet of greenhouse and available to Vireo for future expansion. The first product was available for sale in July 2015. The facility has been in continuous production and sale of cannabis since that time.

New York: Vireo's New York cultivation and processing facility is in Tryon Technology Park in Perth, NY. The entire parcel of land is approximately 21 acres. The facility is comprised of 13,650 square feet of indoor cultivation space, 38,304 square feet of greenhouse cultivation

space, and 7,350 square feet of laboratory and processing space. The balance of the land (20 acres total) is unimproved and available to Vireo for future expansion. The first product was available for sale in January 2016. The facility has been in continuous production and sale of cannabis since that time.

Pennsylvania: Vireo's Pennsylvania cultivation and processing facility is in Scranton, PA. The entire parcel of land is 4.5 acres. The facility is comprised of 38,986 square feet of indoor cultivation space and 15,000 square feet of laboratory and processing space. The balance of the 89,000 square foot building is in heated shell condition and available to Vireo for future expansion. The first product was available for sale in August 2018. The facility has been in continuous production and sale of cannabis since that time.

Maryland: Vireo's Maryland cultivation and processing facility is located in Hurlock, MD. The entire parcel of land is 5 acres. The facility is comprised of 15,600 square feet of indoor cultivation space, and 6,900 square feet of laboratory and processing space. The balance of the land is unimproved and available to Vireo for future expansion. The first product is projected to be available for sale in Q1 2019.

New Mexico: Subject to the closing of the acquisition of a new subsidiary in New Mexico, Vireo will operate a cultivation and processing facility located in Gallup, New Mexico. See Section 3.1 *General Development of the Business – Ongoing Acquisitions*. The facility is approximately 3,000 square feet, with approximately 1,840 square feet being used to cultivate plants and the remainder of which is being used as offices and production rooms.

Ohio: Vireo's Affiliate has a processing facility located in Akron, Ohio. The entire parcel of land is 0.8 acres. The facility is comprised of 11,293 square feet of laboratory and processing space. The balance of the land is unimproved and available to Vireo for future expansion. The facility is currently undergoing renovations and improvements and is expected to be operational by Q2 2019. The first products produced at that facility are projected to be available for sale in Q2 or Q3 of 2019.

Arizona: Subject to the closing of the acquisition of a new subsidiary in Arizona, Vireo will operate a cultivation and processing facility located in Amado, Arizona. See Section 3.1 *General Development of the Business – Ongoing Acquisitions*. The entire parcel of land is approximately 6 acres. The facility is comprised of 49,890 square feet of greenhouse and/or hoop house cultivation space, an additional 22,000 square feet of outdoor cultivation space, surrounded by a 10-foot high steel fence with blade wire, and 6,000 square feet of office, product processing and storage space. The balance of the land is unimproved except for electrical and plumbing groundwork that has been put in place in anticipation of an additional 23,040 square feet of cultivation area and an additional 4,000 square feet of office, product processing and storage space that has been approved by County zoning for future expansion. The first product was delivered from the cultivation site to its dispensary for sale in January 2016. The facility has been in continuous production since that time, providing product to Vireo Arizona's licensed dispensary and other third-party dispensaries in the State.

Rhode Island: Vireo's Rhode Island cultivation and processing facility is in Pawtucket, Rhode Island. The facility is comprised of 4,500 square feet of cultivation and processing space.

Nevada: Vireo's Nevada cultivation and processing facility will be located on approximately 19.1 acres of land in Caliente, Nevada. The site is permitted for up to 16 greenhouses with a floor size of up to 28,800 square feet each and related support facilities.

Industrial Hemp Facilities

For industrial hemp cultivation, Vireo has access to approximately 5 acres of agricultural land in Minnesota and 15 acres of agricultural land in New York. To accommodate large-scale processing of its industrial hemp, Vireo is building a 15,200 square foot hemp processing facility near its cannabis cultivation and processing facility in the Tryon Technology Park, located in Johnstown, NY. This facility will be capable of mass-producing CBD products in accordance with the New York state-sanctioned industrial hemp pilot program.

In addition, Vireo has entered into a non-binding letter of intent to acquire Vireo Nutraceuticals, a company that operates a 50,000 square foot facility in Minnesota that is FDA registered and inspected, as well as NSF certified. Vireo Nutraceuticals is fully GMP compliant and has implemented full electronic Enterprise Resource Planning (also known as, ERP) and Manufacturing Resource Planning (also known as, MRP) systems, including 21CFR compliant electronic batch record tracking. Assuming the acquisition is consummated as planned, this facility will also be used to produce CBD-based products, using inputs from Vireo-grown hemp along with hemp sourced from third parties.

Integrated Quality Control

In order to ensure all of the Company's manufacturing processes are compliant, best-in-class, and continuously improved, Vireo implemented the "Trackwise Digital" quality management software system. Trackwise Digital is an ISO and FDA compliant, quality management system used by top pharmaceutical and medical device manufacturers. The system is comprised of a variety of interconnected, functional modules that work together to provide a comprehensive quality oversight and improvement platform as well as providing auditable, secure, document and record storage. The system's modules include: document management; training management; quality events; corrective and preventative actions; change control; audits; and complaints. The systems' power stems from the interconnectedness of the modules which enables the simultaneous documentation of quality issues and the initiation of activities adapted to affect immediate improvement.

Importance of Intellectual Property on Vireo's Operations

To oversee Vireo's expanding intellectual property portfolio, the Company has appointed a Chief Intellectual Property Officer who is a registered patent attorney with a strong scientific background in pharmacology, biochemistry, and neuroscience. The Chief Intellectual Property Officer's primary responsibilities are to ensure that all internally developed inventions and discoveries are protected and to develop and execute a global IP strategy.

Trademarks

Vireo claims trademark rights in the following marks in the United States:

Mark	U.S. App/Reg. No or Common law
VIREO HEALTH	App. No. 86/552,676
KINGSLEY	App. No. 88/168,666
GREEN GOODS	App. No. 88/170,278
RELIEF RATIO	App. No. 88/168,662
HONEY GREEN	App. No. 88/168,655
1937	App. No. 88/168,664
VIREO	Common law
SPECTRUM	Common law

Vireo has established and is maintaining a portfolio of trade secrets related to its cultivation, extraction and formulation techniques. These trade secrets are embodied in Vireo's standard operating procedures manual that is only available to those employees for whom it is necessary for their job duties. These techniques enable Vireo to operate with greater efficiency than many of its competitors and keep operating costs down. Vireo employs reasonable security measures to safeguard these trade secrets.

Copyrights

Vireo provides world-class educational materials for patients, physicians, and the public as part of its mission to educate the public, and specifically the medical community, on the benefits of cannabis-based medicines. A recent example of Vireo's leadership is the publication of "The Medical Cannabis Primer for Healthcare Professionals," a comprehensive guide focused on educating medical professionals on the significant benefits of cannabis-based medications for a wide variety of medical conditions. Vireo has not formally registered its copyrights.

4.1(4) Competitive Conditions and Position

Vireo currently operates in five state markets with limited legal competition. In Minnesota, the company competes with just one other licensed operator. In New York, the company competes with nine licensed operators. In Pennsylvania, there are 24 other cultivator/processor licensees throughout the state. In Arizona, while new entrants are unlikely in the short-term, any current or future states may increase the relatively low number of licenses in the future. However, state health and public safety officials are believed to prefer regulating an industry with a smaller number of operators. In Maryland, the company was awarded three licenses – cultivation, processing and dispensary and there are a limited number of licenses in each license category.

Additionally, in all markets the company faces competition from established illicit market drug dealers. While patients are unlikely to be offered pharmaceutical-grade cannabis-based-extracts from illicit sources, some consumers may have grown accustomed to smoking the dry leaf of the plant, a consumption method currently prohibited in several of the states in which Vireo currently operates. Other key advantages enjoyed by illicit market dealers include the ability to offer their product without charging sales tax, without requiring the costly and time-consuming patient registration process, and the ability to provide delivery during and outside of normal business hours. With that said, patients who source medical cannabis from illicit sources are exposed to the risk of arrest and consuming a product that lacks any third-party quality control.

Vireo also competes with traditional pharmaceutical companies that sell FDA-approved medicines to patients through retail pharmacies and other sales channels. These companies enjoy several significant competitive advantages, including the ability to manufacture their products in one central location and sell their products in all 50 states, the potential for patients to be reimbursed for the cost of the medicine through prescription drug coverage, and the fact that physicians are comfortable prescribing these since they have been subject to rigorous double-blind clinical trials.

More specifically, GW Pharma recently launched EPIDIOLEX® (cannabidiol), an oral solution, and FDA-approved cannabis-based medication. To the extent that GW Pharma's medication and other cannabis-based medicines are approved for other medical conditions, like cancer or

chronic pain, and traditional insurance companies begin to cover these medications, there may be less of a need for medical marijuana products produced by Vireo.

Nevertheless, Vireo believes there are several reasons FDA-approved cannabis-based medicines are unlikely to materially impact Vireo's plans. First, GW Pharma, and any other pharmaceutical companies that develop cannabis-based medicines, will need to recoup their significant research and development investments through sales. For example, GW Pharma has spent several hundred million dollars developing its new Epidiolex drug. In 2016 alone, GW Pharma spent more than \$130 million on its research and development activities. These extraordinary high costs are likely to result in aggressive pricing of its drug. Vireo believes that a similar drug could be sourced from state-based medical marijuana companies at a lower cost, patients may continue to gravitate to state-based marijuana providers.

Vireo still faces competition from other multi-state operators that may have a higher capitalization, access to public equity markets, more experienced management or may be more mature as a business. 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 Vireo executes its national growth strategy in the United States, operators in Vireo's 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 Resulting Issuer.

4.1(6) Bankruptcy and Receivership

Neither the Resulting Issuer, 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 Business Combination*.

4.1(8) Fundamental Social and Environmental Policies

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

4.2 Asset Backed Securities

The Resulting Issuer does not have any asset backed securities.

4.3 Companies with Mineral Projects

The Resulting Issuer does not have any mineral projects.

4.4 Companies with Oil and Gas Operations

The Resulting Issuer 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 December 31, 2017. 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 December 31, 2017 (audited) (\$)
Statement of operations	
Total revenue	\$-
Net loss	\$105,597
Net loss per share (basic and diluted)	\$0.01
Statement of financial position	
Total assets	\$303,037
Total liabilities	\$23,160
Cash dividends declared per share	\$ -

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

Vireo's Annual Information

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

See Schedule "B" – *Financial Statements of Vireo Health, Inc.*

SELECTED ANNUAL FINANCIAL INFORMATION

	Vireo as at and for the year ended December 31, 2016 (audited) (\$)	Vireo as at and for the year ended December 31, 2017 (audited) (\$)
Statement of operations		
Total revenue	\$4,259,645	\$10,867,064
Net income attributable to Vireo	\$5,804,504	(\$430,689)
Statement of financial position		
Total assets	\$28,686,695	\$36,564,179
Total liabilities	\$ 581,672	\$ 9,070,671
Members' equity	\$28,105,023	\$27,493,508

The Corporation's Interim Information

The following tables set forth selected financial information for the Corporation and Vireo and selected pro forma financial statements of the Resulting Issuer as at and for the nine months ended September 30, 2018. Such information is derived from the financial statements of the Corporation and Vireo and should be read in conjunction with the corresponding financial statements.

SELECTED INTERIM FINANCIAL INFORMATION

	Darien as of September 30, 2018 (unaudited) (\$)	Vireo as of September 30, 2018 (unaudited) (\$)	Resulting Issuer Pro Forma as at and for the nine months ended September 30, 2018 (unaudited) (\$)
Statement of operations			
Total revenue		\$ 12,831,828	\$ 17,650,268
Gross profit (loss)	\$0	\$11,419,040	\$15,780,840
Net profit (loss) attributable to the Corporation	(\$40,212)	(\$1,894,732)	(\$2,528,366)
Statement of financial position			
Total assets	\$ 170,985	\$62,785,055	\$79,437,254
Total liabilities	\$2,487	\$24,303,213	\$28,260,716
Members/shareholders' equity	\$169,696	\$38,481,842	\$51,176,538

See Schedule "A" – *Financial Statements of the Corporation*, Schedule "B" – *Financial Statements of Vireo Health, Inc.* and Schedule "E" – *Consolidated Proforma Financial Statements of the Resulting Issuer*.

5.2 Dividends

The Resulting Issuer has not declared distributions on Subordinate Voting Shares in the past. The Resulting Issuer currently intends to reinvest all future earnings to finance the development

and growth of its business. As a result, the Resulting Issuer 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 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 Resulting Issuer 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

Vireo and its Operating Subsidiaries' MD&A for the years ended December 31, 2017 and 2016, is attached to this Listing Statement as Schedule "D" – *MD&A of Vireo and its Operating Subsidiaries*.

Vireo and its Operating Subsidiaries' MD&A for the three and six months ended June 30, 2018 and 2017, attached to this Listing Statement as Schedule "D" – *MD&A of Vireo and its Operating Subsidiaries*.

7. MARKET FOR SECURITIES

Prior to the closing of the Business Combination, the Corporation had been listed on the TSX Venture Exchange under the symbol "DBD.H". The Resulting Issuer intends to be traded on the CSE under the symbol "VREO".

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 Subscription Receipts triggered on the date of the Business Combination and the Subordinate, Super and Multiple Voting Shares issuable pursuant to the Business Combination as though it had occurred on such date. The table should be read in conjunction with the financial statements of the Corporation and Vireo, including the notes thereto, included elsewhere.

RESULTING ISSUER PRO FORMA CAP TABLE

Designation of Security	Darien as of September 30, 2018	Resulting Issuer as of the date of this Listing Statement
Long Term Liabilities (\$)	--	\$28,808,287 ⁽¹⁾
Total debt	--	\$28,808,287 ⁽¹⁾
Share Structure		
Darien ⁽²⁾	12,455,815	705,882
Options	1,240,000 ⁽³⁾	22,215,583
Subordinate Voting Shares	--	78,288,559 ⁽⁴⁾
Compensation Warrants	--	1,193,256
Advisory Warrants ⁽⁵⁾	--	1,226,971
Convertible Promissory Notes	--	6,412,605
Fully diluted issued and outstanding	13,695,815⁽²⁾	110,042,857

Notes:

(1) Pro forma long-term liabilities are estimated as of 2/28/19. See "General Development of the Business – Ongoing Acquisitions".

(2) On a pre-consolidation basis. In connection with the closing of the Transaction, the common shares of the Corporation were consolidated on the basis of 19.4024 pre-consolidation common shares for every post-consolidation common share and such post-consolidation common shares were re-classified as Subordinate Voting Shares.

(3) All of these options were exercised prior to closing of the Business Combination.

(4) Represents Subordinate Voting Shares, assuming the conversion of the Super Voting Shares and Multiple Voting Shares into Subordinate Voting Shares and includes the Subordinate Voting Shares issued in connection with the ultimate exchange of the Subscription Receipts. At closing of the Transaction, there will be 21,014,514 Subordinate Voting Shares outstanding.

(5) Includes 672,269 Subordinate Voting Shares and 500,000 advisory warrants to be issued in connection with consulting and related advisory services in respect of an acquisition.

9. OPTIONS TO PURCHASE SECURITIES

Options Outstanding at Closing

Immediately prior to closing, Vireo had 740,400 options to purchase common stock of Vireo. Those options will be reissued as options to purchase Subordinate Voting Shares, adjusted for the exchange ratio between the common stock of Vireo and the Subordinate Voting Shares.

<u>Number of Options</u> ¹	<u>Exercise Price</u> ¹	<u>Expiration Date</u>
---------------------------------------	------------------------------------	------------------------

222,100	\$5.79	January 2, 2028
323,300	\$10.00	May 1, 2028 ²
40,000	\$10.00	October 1, 2028
2,500	\$10.00	November 5, 2028
152,500	\$10.00	December 21, 2028

Note:

1. The Number of Options and Exercise Price of the options will be adjusted in accordance with the exchange ratio.
2. Except for Kyle Kingsley, whose options expire May 1, 2023.

2019 Equity Incentive Plan

On March 8th, 2019 shareholders of the Corporation approved the Plan, the principal terms of which are described below.

Summary of Plan

The principal features of the Plan are summarized below.

Purpose

The purpose of the Plan will be to enable the Resulting Issuer and its affiliated companies to: (i) attract and retain the best available personnel for positions of substantial responsibility for the Resulting Issuer, (ii) to provide additional incentive to employees, directors, and consultants of the Resulting Issuer, and (iii) to promote the success of the Resulting Issuer's business.

The Plan permits the grant of (i) nonstatutory stock options ("**NSOs**") and incentive stock options ("**ISOs**") (collectively, "**Options**"), (ii) restricted stock awards, (iii) restricted stock units ("**RSUs**"), and (iv) stock appreciation rights ("**SARs**"), and which are referred to herein collectively as "**Awards**," as more fully described below.

Eligibility

Any employees, officers, directors, or consultants of the Resulting Issuer or its affiliated companies are eligible to participate in the Plan if selected by the administrator of the Plan, being the Compensation Committee if formed, failing which the administrator of the Plan will be the Resulting Issuer's Board of Directors (the "**Participants**"). The basis of participation of an individual under the Plan, and the type and amount of any Award that an individual will be entitled to receive under the Plan, will be determined by the Compensation Committee or the Resulting Issuer's Board of Directors 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 Plan shall be 10% of the Subordinate Voting Shares outstanding (assuming the conversion of all Super Voting and Multiple Voting Shares into Subordinate Voting Shares). Any Subordinate Voting Shares subject to an Award under the Plan that are forfeited, surrendered, cancelled, repurchased, 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 Plan. Notwithstanding the foregoing, the maximum number of Subordinate Voting Shares that may be issued pursuant to the exercise of ISOs is the aggregate Plan limit described above,

determined as of 12:01 am on the day following the effective date of the Business Combination plus the number of Subordinate Voting Shares that are again available as a result of the previous sentence, to the extent allowable under the United States Internal Revenue Code of 1986, as amended (the “**Code**”) and the Treasury Regulations under the Code.

Awards

Options

Options granted under the Plan will be subject to the terms and conditions established by the Compensation Committee or the Resulting Issuer Board of Directors and set forth in the applicable award agreement.

The Compensation Committee or the Resulting Issuer Board of Directors 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 NSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code.

Under the terms of the Plan, the exercise price of the Options will not be less than 100% of the “Fair Market Value” per Subordinate Voting Share on the date of grant. The “Fair Market Value” on any date means (i) the closing price of the Subordinate Voting Shares on an established stock exchange on such date, (ii) if the Subordinate Voting Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value will be the mean between the high bid and low asked prices for the Subordinate Voting Shares on the day of determination, or (iii) in the absence of an established market for the Subordinate Voting Shares, the Fair Market Value will be determined in good faith by the Compensation Committee or the Resulting Issuer Board of Directors. Notwithstanding the foregoing, in the case of (i) above, in the event that the Shares are listed on the CSE, for the purposes of establishing the exercise price of any Options, the Fair Market Value shall not be lower than the greater of the closing market price of the Subordinate Voting Shares on the Canadian Securities Exchange (the “**CSE**”) on (A) the trading day prior to the date of grant of the Options, and (B) the date of grant of the Options. In addition, in the case of an ISO granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of the Resulting Issuer, the per Subordinate Voting Share exercise price will be no less than 110% of the Fair Market Value per Subordinate Voting Share on the date of grant.

The maximum term of an option granted under the 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, cheque, promissory note (to the extent permitted by applicable law), other Subordinate Voting Shares, cashless exercise consideration, net exercise, or by such other method as the Compensation Committee or the Resulting Issuer’s Board of Directors may determine to be appropriate and permitted by applicable law, or any combination of the foregoing.

If a Participant ceases to be an employee, officer, director or consultant of the Resulting Issuer or an affiliated company, other than upon the Participant’s termination as the result of the Participant’s death or disability, the Participant may exercise his or her Option within 30 days of termination, or such longer period of time as is specified in the award agreement (but not later than the expiration of the term of such Option as set forth in the award agreement) to the extent that the Option is vested on the date of termination. If a Participant ceases to be an employee, officer, director or consultant of the Resulting Issuer or an affiliated company as a result of the

Participant's disability, the Participant may exercise his or her Option within 6 months of termination, or such longer period of time as is specified in the award agreement (but not later than the expiration of the term of such Option as set forth in the award agreement) to the extent the Option is vested on the date of termination. If a Participant dies while an employee, officer, director or consultant of the Resulting Issuer or an affiliated company, the Option may be exercised within 6 months following the Participant's death, or within such longer period of time as is specified in the award agreement (but not later than the expiration of the term of such Option as set forth in the award agreement) to the extent that the Option is vested on the date of death, by the Participant's designated beneficiary or personal representative or in accordance with the will or the laws of descent. In the case of any unvested Options, the Subordinate Voting Shares covered by the Option will revert to the Plan. Notwithstanding the foregoing, at any time after the grant of an Option, the Compensation Committee or the Resulting Issuer's Board of Directors, in its sole discretion, may reduce or waive the vesting criteria applicable to the Option.

Restricted Stock

A restricted stock award is a grant of Subordinate Voting Shares to a Participant, which Subordinate Voting Shares are subject to forfeiture restrictions during a restriction period. The restriction period may be based on the passage of time, the achievement of target levels of performance, or the occurrence of such other events as determined by the Compensation Committee, or the Resulting Issuer's Board of Directors. Each Award of restricted stock will be evidenced by an award agreement that will specify the restriction period, the number of Subordinate Voting Shares granted, and such other terms and conditions as the Compensation Committee or the Resulting Issuer's Board of Directors determines. The Compensation Committee or the Resulting Issuer's Board of Directors can impose such restrictions on the restricted stock as it deems advisable. The Compensation Committee or the Resulting Issuer's Board of Directors, in their discretion, may accelerate the time at which any restrictions will lapse or be removed. During the restriction period, Participants holding shares of restricted stock under the Plan may not vote those Subordinate Voting Shares but will be entitled to receive all dividends and other distributions paid with respect to such Subordinate Voting Shares (unless the Compensation Committee or the Resulting Issuer's Board of Directors provide otherwise).

RSUs

An RSU is a bookkeeping entry representing an amount equal to the Fair Market Value of one Subordinate Voting Share. The Compensation Committee or the Board of Directors will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the Participant. The Compensation Committee or the Board of Directors may set vesting criteria based upon the achievement of company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Compensation Committee or the Resulting Issuer's Board of Directors in its discretion. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Compensation Committee or the Resulting Issuer's Board of Directors. Notwithstanding the foregoing, at any time after the grant of RSUs, the Compensation Committee or the Resulting Issuer's Board of Directors, in their sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

Stock Appreciation Rights

An SAR entitles the Participant 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. Each SAR grant will be evidenced by an award agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Compensation Committee, in its sole discretion, will determine; provided that the per share exercise price for the Subordinate Voting Shares that will determine the amount of the payment to be received upon exercise of a SAR will be no less than 100% of the Fair Market Value per Subordinate Voting Share on the date of grant. No SAR may be exercised more than ten years from the grant date.

General

The Compensation Committee or the Resulting Issuer's Board of Directors may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the Plan shall be nontransferable except by will, by the laws of descent and distribution, by Rule 701 under the U.S. Securities Act of 1933, as amended, and by National Instrument 45-106 *Prospectus Exemptions*, to the extent applicable. 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 Plan except in compliance with all applicable laws.

The Resulting Issuer Board may amend, alter, suspend or terminate the Plan and the Compensation Committee or the Resulting Issuer's Board of Directors 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 applicable laws, (ii) no such amendment, alteration, suspension or termination may impair the rights of a Participant without the Participant's written agreement, and (iii) such amendment, alteration, suspension, discontinuation, or termination is in compliance with CSE Policies.

In the event of any dividend, recapitalization, forward or reverse stock split, reorganization, merger, consolidation, split-up, split-off, combination, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer, or other change in the corporate structure of the Resulting Issuer affecting the Subordinate Voting Shares occurs, the Compensation Committee or the Resulting Issuer's Board of Directors will make such adjustment, which is appropriate in order to prevent diminution or enlargement of the benefits or potential benefits to Participants under the Plan, to the number and class of shares of stock that may be delivered under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award.

In the event of a merger of the Resulting Issuer with or into another entity or a change in control, each outstanding Award will be treated as the Compensation Committee or the Resulting Issuer's Board of Directors determine without a Participant's consent, including, without limitation, that (A) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation with appropriate adjustments as to the number and kind of shares and prices; (B) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or change in control; (C) outstanding Awards will vest and become exercisable,

realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or change in control, and, to the extent the Compensation Committee or the Resulting Issuer's Board of Directors determine, terminate upon or immediately prior to the effectiveness of such merger or change in control; (D) (I) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Compensation Committee or the Resulting Issuer's Board of Directors determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Resulting Issuer without payment), or (II) the replacement of such Award with other rights or property selected by the Compensation Committee or the Resulting Issuer's Board of Directors in its sole discretion; or (E) any combination of the foregoing. In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and SARs, including Subordinate Voting Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on restricted stock and RSUs will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met.

The grant of an Award shall not be construed as giving a Participant the right to be retained as an employee, officer or consultant of the Resulting Issuer or any affiliate company, nor will it affect in any way the right of the Resulting Issuer or an affiliate company to terminate a Participant's employment or engagement at any time, with or without cause, in accordance with applicable law.

Tax Withholding

The Resulting Issuer may take such action as it deems appropriate to ensure that all applicable federal, state, local, foreign 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 Resulting Issuer's Securities

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 Business Combination, the outstanding capital of the Resulting Issuer consists of: (i) 21,014,514 Subordinate Voting Shares; (ii) 514,388 Multiple Voting Shares; and (iii) 65,411 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 Initial Holder, as the owner of all the outstanding Super Voting Shares, will enter into a customary coattail agreement with the Resulting Issuer 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 Subordinate Voting Shares, whether or not such Subordinate Voting Shares are subsequently sold, 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 Resulting Issuer 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 Multiple Voting Shares, as the case may be, and reasonable funds and indemnity have been provided to the trustee. The Resulting Issuer 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 Darien Business Development Corp.)

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 Vote: Holders of Subordinate 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 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 Resulting Issuer'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 Resulting Issuer or on the part of the holder, into Subordinate Voting Shares at the Conversion Ratio then in effect.

Redemption Right: The Resulting Issuer will be entitled to redeem the Subordinate Voting Shares of an "Unsuitable Person" in certain circumstances. See "*Redemption Right for Unsuitable Person*".

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 "**Conversion Ratio**"), 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 Resulting Issuer or on the part of the holder, into Multiple Voting Shares at the inverse of the Conversion Ratio then in effect.

Redemption Right: The Resulting Issuer will be entitled to redeem the Multiple Voting Shares of an "Unsuitable Person" in certain circumstances. See "Redemption Right for Unsuitable Person".

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 10 votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (currently 100 Subordinate Voting Share 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 Subordinate 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 Subordinate 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 Kyle Kingsley (the “Initial Holder”) or a transfer for purposes of estate or tax planning to a trust, 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, “Permitted Holders”); 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 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</p>

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.

Preferred Shares

Issuable in Series	The Preferred Shares may at any time and from time to time be issued in one or more series, as determined by the board of directors.
Right to Vote	Except as otherwise provided with respect to any particular series of Preferred Shares and as otherwise required by law, the holders of the Preferred Shares shall not be entitled as a class to receive notice of or to attend or to vote at any annual or general meeting of the shareholders of the Resulting Issuer
Participation	In the event of a capital distribution, the Preferred Shares will be entitled to a preference and priority over the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares with respect to the distribution of assets of the Resulting Issuer and each series may be given such other preference over such classes of shares as determined by the directors. Where amounts are payable on a capital distribution to Preferred Shares, holders of all series of Preferred Shares will be entitled to participate ratably in the return of capital in respect of the Preferred Shares as a class in accordance with the amounts that would be payable on the return of capital if all amounts so payable were paid in full.

Redemption Right from Unsuitable Person

The Resulting Issuer will have a redemption right for Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares to allow the Resulting Issuer to comply with applicable licensing regulations. The purpose of the redemption right is to provide the Resulting Issuer with a means of protecting itself from having a shareholder, or as determined by the Board, a group of shareholders acting jointly or in concert (an "Unsuitable Person") with an ownership interest of, whether of record or beneficially (or having the power to exercise control or direction over), five percent (5%) or more of the issued and outstanding shares of the Resulting Issuer (calculated on as-converted to Subordinate Voting Share basis), who a governmental authority granting licenses to the Resulting Issuer (including to any subsidiary) has determined to be unsuitable to own shares, or whose ownership of Subordinate Voting Shares or Multiple Voting Shares may result in the loss, suspension or revocation (or similar action) with respect to any

licenses relating to the Resulting Issuer's conduct of business (being the conduct of any activities relating to the cultivation, processing and dispensing of cannabis and cannabis, derived products in the United States, which include the owning and operating of cannabis licenses) or in the Resulting Issuer being unable to obtain any new licenses in the normal course, including, but not limited to, as a result of such person's failure to apply for a suitability review from or to otherwise fail to comply with the requirements of a governmental authority, as determined by the Board, in its sole discretion, after consultation with legal counsel and if a license application has been filed, after consultation with the applicable governmental authority.

The terms of the Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares provide the Resulting Issuer with a right, but not the obligation, at its option, to redeem Subordinate Voting Shares and/or Multiple Voting Shares held by an Unsuitable Person at the redemption price described below. This right is required in order for the Resulting Issuer to comply with regulations in various jurisdictions where the Resulting Issuer conducts business or is expected to conduct business, which provide that the shareholders of a company requiring a license who hold over a certain percentage threshold of the issued and outstanding shares of the Resulting Issuer cannot be deemed "unsuitable" by the applicable governmental authority issuing the license in order for such company's license to be issued and to remain valid and in effect.

A redemption notice may be delivered by Resulting Issuer to the Unsuitable Person and will set forth: (i) the redemption date, (ii) the number of Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares to be redeemed, (iii) the formula pursuant to which the redemption price will be determined and the manner of payment therefor, (iv) the place where such Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares (or certificate thereto, as applicable) will be surrendered for payment, duly endorsed in blank or accompanied by proper instruments of transfer, (v) a copy of the Valuation Opinion (if the Resulting Issuer is no longer listed on the CSE or another recognized securities exchange), and (vi) any other requirement of surrender of the redeemed shares. The redemption notice will be sent to the Unsuitable Person not less than 30 trading days prior to the redemption date, except as otherwise provided below. The Resulting Issuer will send a written notice confirming the amount of the redemption price as soon as possible following the determination of such redemption price. The redemption notice may be conditional such that the Resulting Issuer need not redeem the Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares on the redemption date if the Board determines, in its sole discretion, that such redemption is no longer advisable or necessary. For purposes of the foregoing, "Fair Market Value" means: (i) the volume weighted average trading price (VWAP) of the Subordinate Voting Shares during the five (5) trading day period immediately after the date of the redemption notice on the CSE or other national or regional securities exchange on which the Subordinate Voting Shares are listed (divided by 100 in the case of the Multiple Voting Shares and the Super Voting Shares), (ii) if no such quotations are available, the fair market value per share of such Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares as set forth in a valuation and fairness opinion ("Valuation Opinion") from an investment banking firm of nationally recognized standing in Canada (qualified to perform such task and which is disinterested in the contemplated redemption and has not in the then past two years provided services for a fee to the Resulting or its affiliates) or a disinterested nationally recognized accounting firm.

The redemption date will be not less than 30 trading days from the date of the redemption notice unless a governmental authority requires that the Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares be redeemed as of an earlier date, in which case the redemption date will be such earlier date, and if there is an outstanding redemption notice, the

Resulting Issuer will issue an amended redemption notice reflecting the new redemption date forthwith.

From and after the date the redemption notice is delivered, an Unsuitable Person owning Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares called for redemption will cease to have any voting rights. From and after the redemption date, any and all rights of any nature which may be held by an Unsuitable Person with respect to such person's Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares will cease and, thereafter, the Unsuitable Person will be entitled only to receive the redemption price, without interest, on the redemption date; provided, however, that if any such Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares come to be owned solely by persons other than an Unsuitable Person (such as by transfer of such Subordinate Voting Shares and/or Multiple Voting Shares to a liquidating trust, subject to the approval of any applicable governmental authority), such persons may exercise voting rights of such Subordinate Voting Shares and/or Multiple Voting Shares and the Board may determine, in its sole discretion, not to redeem such Subordinate Voting Shares. The Resulting Issuer's redemption right is unilateral. Unless an Unsuitable Person otherwise disposes of his, her or its Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares, such Unsuitable Person cannot prevent the Resulting Issuer from exercising its redemption right.

Following redemption, the redeemed Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares will be cancelled.

If the Resulting Issuer exercises its right to redeem Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares from an Unsuitable Person, (i) the Resulting Issuer may fund the redemption price, which may be substantial in amount in certain circumstances, from its existing cash resources, the incurrence of indebtedness, the issuance of additional securities including debt securities, the issuance of a promissory note issued to the Unsuitable Person or a combination of the foregoing sources of funding, (ii) the number of Subordinate Voting Shares, Multiple Voting Shares and/or Super Voting Shares outstanding will be reduced by the number of applicable shares redeemed, and (iii) the Resulting Issuer cannot provide any assurance that the redemption will adequately address the concerns of any governmental authorities or enable the Resulting Issuer to make all required governmental filings or obtain and maintain all licenses, permits or other governmental approvals that are required to conduct its business. The Resulting Issuer cannot prevent an Unsuitable Person from acquiring or reacquiring shares, and can only address such unsuitability by exercising its redemption rights pursuant to the redemption provision. To the extent required by applicable laws, the Resulting Issuer may deduct and withhold any tax from the redemption price. To the extent any amounts are so withheld and are timely remitted to the applicable governmental authority, such amounts shall be treated for all purposes herein as having been paid to the person in respect of which such deduction and withholding was made.

A holder of the Subordinate Voting Shares and/or Multiple Voting Shares will be prohibited from acquiring or disposing of five percent (5%) or more of the issued and outstanding shares of the Resulting Issuer (calculated on an as-converted to Subordinate Voting Share basis), directly or indirectly, in one or more transactions, without providing 15 days' advance written notice to the Resulting Issuer by mail sent to the Resulting Issuer's registered office to the attention of the Corporate Secretary. The foregoing restriction will not apply to the ownership, acquisition or disposition of shares as a result of: (i) transfer of Subordinate Voting Shares and/or Multiple Voting Shares occurring by operation of law including, inter alia, the transfer of Subordinate Voting Shares and/or Multiple Voting Shares to a trustee in bankruptcy, (ii) an acquisition or proposed acquisition by one or more underwriters or portfolio managers who hold Subordinate

Voting Shares for the purposes of distribution to the public or for the benefit of a third party provided that such third party is in compliance with the foregoing restriction, or (iii) conversion, exchange or exercise of securities of the Resulting Issuer following the Business Combination (other than the Subordinate Voting Shares) duly issued or granted by the Resulting Issuer, into or for Subordinate Voting Shares, in accordance with their respective terms. If the Board reasonably believes that any such holder of the Subordinate Voting Shares and/or Multiple Voting Shares may have failed to comply with the foregoing restrictions, the Resulting Issuer may apply to the Supreme Court of British Columbia, or such other court of competent jurisdiction for an order directing that such shareholder disclose the number of Subordinate Voting Shares held.

Notwithstanding the adoption of the proposed redemption provisions, the Resulting Issuer may not be able to exercise its redemption rights in full or at all. Under the BCBCA, a corporation may not make any payment to redeem shares if there are reasonable grounds for believing that the company is unable to pay its liabilities as they become due in the ordinary course of its business or if making the payment of the redemption price or providing the consideration would cause the company to be unable to pay its liabilities as they become due in the ordinary course of its business. Furthermore, the Letter Credit Agreement contains (and the Resulting Issuer may become subject to other) contractual restrictions on its ability to redeem its shares. In the event that restrictions prohibit the Resulting Issuer from exercising its redemption rights in part or in full, the Resulting Issuer will not be able to exercise its redemption rights absent a waiver of such restrictions, which the Resulting Issuer may not be able to obtain on acceptable terms or at all.

10.2 – 10.6 Miscellaneous Securities Provisions

See Section 10.1 above.

10.7 Prior Sales of Common Shares

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 Business Combination).

Date Issued	Number of Common Shares⁽¹⁾⁽²⁾⁽³⁾	Issue Price per Share (\$)	Aggregate Issue Price (\$)	Nature of Consideration
March 15, 2019	1,240,000	C\$0.08	C\$99,200	Cash for exercise of options

Notes:

1. Issued originally as Units each Unit consisting of 1 common share and 1 common share purchase warrant exercisable into 1 common share for a term of two years from closing date at an exercise price of \$0.15.
2. Pre-Consolidated Common Shares. In May of 2018, the Corporation consolidated its common shares on a 10 pre-consolidation for 1 post-consolidation basis. The Common Shares will be further consolidated and reclassified as Subordinate Voting Shares in connection with the Business Combination on the basis of 19.4024 pre-consolidation common shares for every post-consolidation common share.
3. There were no share activities during the nine months ended June 30, 2018 and 2017.

Vireo

Immediately prior to the Business Combination, there were 722,000 Class A Preferred Stock, 342,000 Class B Preferred Stock, 758,968 Class C Preferred Stock, and 383,300 Class D Preferred Stock issued and outstanding as well as 28,902 Vireo Warrants issued and outstanding in the 12 months prior to this Listing Statement.

In July and August of 2018 Vireo closed its Class D Financing of 383,307 shares of Vireo's series D Preferred Stock, par value \$.00001 per share at an offering price of \$45 for aggregate gross proceeds of \$17.3 million to accredited investors. Each investor also received a Vireo Warrant entitling the investor to automatically receive, at no additional cost and without any further action, an additional 0.1 of a Class D Preferred share for each Class D Preferred Stock purchased by such investor, on the date that is eight months following the closing of such investor's purchase of the Class D Preferred Stock. Pursuant to the Business Combination, the Vireo Warrants shall be automatically cancelled and no additional Class D Preferred Stock will be issued to holders of Vireo Warrants.

Vireo successfully completed three equity funding rounds totaling approximately \$23 million. A "Seed Round" of \$3.6 million in July of 2014, a "Class A" round of \$13 million in February 2015, and a "Class B" round of approximately \$6.3 million dollars in late 2015 and early 2016.

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.

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 Business Combination.

12. PRINCIPAL SHAREHOLDERS

12.1 and 12.2 Principal Shareholders

To the knowledge of the directors and officers of each of the Corporation and Vireo, following the Business Combination, 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	Class of Shares	Ownership	Percentage of Class
Kyle Kingsley, Minnesota, USA	65,411	Super Voting Shares	Direct	100%

12.3 Voting Trusts

To the knowledge of the Resulting Issuer, no voting trust exists within the Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer 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 Resulting Issuer, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Resulting Issuer’s Board of Directors currently consists of seven (7) directors, of whom four (4) 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 Resulting Issuer, other than interests and relationships arising from shareholders, and do not have interests in or relationships with the Resulting Issuer.

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 Resulting Issuer 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	Period during which Director has served as a Director of Resulting Issuer and when Term will Expire	Number and Percentage of Common Shares Beneficially Owned or Controlled Prior to the Business Combination	Number and Percentage of Super Voting, Multiple Voting and/or Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled After the Business Combination
Kyle Kingsley Director, Chief Executive Officer Minneapolis, MN	Founder and Chief Executive Officer of Vireo; previously an emergency room physician	N/A	-	65,411 Super Voting Shares (100%)
Amber Shimpa Director, Chief Financial Officer Maple Grove, MN	Executive of Vireo; previously a banking executive.	N/A	-	8,521 Multiple Voting Shares (1.66%) 23,530 Subordinate Voting Shares (0.1%)
Aaron Hoffnung, Director, Chief Operating Officer, New York, NY	Chief Operating Officer of Vireo and Chief Executive Officer of Vireo New York; previously Deputy Comptroller of NYC and banking executive	N/A	-	23,529 Subordinate Voting Shares (0.1%)

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Period during which Director has served as a Director of Resulting Issuer and when Term will Expire	Number and Percentage of Common Shares Beneficially Owned or Controlled Prior to the Business Combination	Number and Percentage of Super Voting, Multiple Voting and/or Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled After the Business Combination
Jay Westwater, Vice President, St. Paul, MN	Chief Executive Officer of Minnesota Medical Solutions, Emergency room physician at United Hospital, St. Paul, MN	N/A	-	-
Chad Martinson ^{1,2} , Director, Las Vegas, NV	CEO of ACOVA Integrated Health; previously COO and CFO of ACOVA and CFO/EVP of Operations of Upsher-Smith Laboratories, Inc.	N/A	-	1,200 Multiple Voting Shares (0.23%) 47,058 Subordinate Voting Shares (0.2%)
Amy Langer ¹ Minneapolis, MN	Co-founder of Salo	N/A	-	35,000 Subordinate Voting Shares (0.2%)
Chelsea A. Grayson ¹ Los Angeles, CA	CEO of True Religion, prior to that CEO and a board member of American Apparel (after holding other executive offices prior thereto), partner in the M&A/Corporate Governance practice group of Jones Day.	N/A	-	-
Judd Nordquist ¹ Director, Deephaven, MN	Business Partner at Abdo, Eick & Meyers LLP.	N/A	-	845 Multiple Voting Shares (0.2%) 23,530 Subordinate Voting Shares (0.1%)

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Period during which Director has served as a Director of Resulting Issuer and when Term will Expire	Number and Percentage of Common Shares Beneficially Owned or Controlled Prior to the Business Combination	Number and Percentage of Super Voting, Multiple Voting and/or Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled After the Business Combination
Michael Schroeder, General Counsel & Chief Compliance Officer North Oaks, MN	General Counsel and Chief Compliance Officer of Vireo; previously Senior VP, General Counsel and Secretary of Deluxe Corporation; previously General Counsel and Corporate Secretary of Great Wolf Resorts.	N/A	-	-
Stephen Dahmer, Chief Medical Officer Nyack, NY	Chief Medical Officer of Vireo; previously Assistant Clinical Professor of Family Medicine and Community Health at the Icahn School of Medicine at Mount Sinai	N/A	-	-
Eric Greenbaum, Chief Scientific Officer Denver, CO	Chief Scientific Officer of Vireo; previously patent attorney at Greenbaum P.C.	N/A	-	-
Gary Starr, Senior Vice President of Global Affairs and Chief Quality Officer Montreal, QC	Senior Vice President of Global Affairs and Chief Quality Officer of Vireo; previously Principal Harmonique Healthcare International Ltd.; previously Emergency Medicine Physician at Essentia Health	N/A	-	-

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Period during which Director has served as a Director of Resulting Issuer and when Term will Expire	Number and Percentage of Common Shares Beneficially Owned or Controlled Prior to the Business Combination	Number and Percentage of Super Voting, Multiple Voting and/or Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled After the Business Combination
Jennifer Duey, Chief Security Officer Cambridge, MD	Chief Security Officer of Vireo; previously Quality Control Manager at Cres Cor	N/A	-	-

Notes:

- (1) Member of the audit committee.
- (2) Chair of the audit 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 Business Combination, all promoters, directors, officers and Insiders, as a group, will beneficially own, directly or indirectly, the following shares of the Resulting Issuer: (i) 152,647 Subordinate Voting Shares or 0.7% (non-diluted) of the class; (ii) 10,566 Multiple Voting Shares or approximately 2.09% (non-diluted) of the class; and 65,411 of the Super Voting Shares or 100% non-diluted of the class.

Board Committees

The Resulting Issuer currently has an audit committee. A brief description of the audit committee is set out below. Following the completion of the Business Combination, 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.

Audit Committee

The audit committee assists the Resulting Issuer’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 Resulting Issuer to regulatory authorities and its shareholder and reviews the Resulting Issuer’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 Business Combination include the following four directors. Also indicated is whether they are “independent” and “financially literate” within the meaning of National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

Name of Member	Independent¹	Financially Literate²
Chad Martinson	Yes	Yes
Amy Langer	Yes	Yes
Judd Nordquist	Yes	Yes
Chelsea Grayson	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 Resulting Issuer. A material relationship is a relationship which could, in the view of the Resulting Issuer's Board of Directors, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Resulting Issuer, such as the President or Secretary, is deemed to have a material relationship with the Resulting Issuer.
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 Resulting Issuer's financial statements

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

On February 2, 2018, the British Columbia Securities commission issued a failure to file cease trade order ("FFCTO") for failure to file certain continuous disclosure documents, including annual audited financial statements. Those documents were subsequently filed and the FFCTO was revoked on May 2, 2018.

Corporate Cease Trade Orders or Bankruptcies

Except as described below, 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.

Chelsea Grayson was recruited to join American Apparel in December 2014, during an ongoing liquidity and culture crisis. The company had amassed US\$300 million in losses by that time. When she joined as General Counsel and Chief Administrative Officer, she was part of an entirely new C-Suite. She terminated the CEO on her first day of employment. Bankruptcy became unavoidable because of the losses and also because of the cost of defending numerous lawsuits against the company. Working together with the board of directors, she engineered and executed a “prepack” Chapter 11 bankruptcy proceeding with Goldman Sachs and other funds ending up as owners. Goldman Sachs promoted her to CEO after the bankruptcy, which position she held through the sale of the company.

Penalties or Sanctions

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.

Personal Bankruptcies

Other than as described below, to the knowledge of management of the Resulting Issuer, no proposed director, officer or promoter of the Resulting Issuer, or a personal holding company of any of them, has, within the ten years prior to the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Michael Schroeder filed for personal bankruptcy in 2011 and was granted a discharge in 2012 by the United States Bankruptcy Court for the Western District of Wisconsin.

Jennifer Lee Duey filed for personal bankruptcy in 2012 and was granted a discharge in 2013 by the Northern District of Ohio United States Bankruptcy Court.

13.10. Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Resulting Issuer also holding positions as directors or officers of other companies. None of the directors, officers or promoters of the Resulting Issuer are known to have any conflict of interest with the Resulting Issuer.

13.11. Management

Brief descriptions of the biographies for all of the officers and directors of the Resulting Issuer are set out below. All of the officers listed below are full-time employees of Vireo and are expected to dedicate 100% of their time to Vireo:

Kyle Kingsley | Director & Chief Executive Officer (Age 42)

Dr. Kingsley is a board-certified emergency medicine physician and serves as CEO of Vireo, Inc. Dr. Kingsley will be a full-time employee of the Resulting Issuer. Dr. Kingsley has expansive experience in starting true medical model cannabis companies in well-regulated, medically-modelled states with narrow timelines for implementation. Dr. Kingsley is also the

founder of Vireo and has served as a Manager since inception. Dr. Kingsley has been involved with all aspects of medical cannabis implementation, from horticulture and manufacturing, to finance and policy.

Dr. Kingsley completed his residency in the highly-regarded Hennepin County Medical Center Emergency Medicine Residence Program in which he received training in a broad range of disciplines that are pertinent to medical cannabis including critical care, orthopedics, neurosurgery and pediatrics. Dr. Kingsley worked as an emergency medicine physician in a level three trauma center for nearly a decade, providing a broad range of emergency and critical care to a wide array of patients including pediatric patients, the elderly and those sustaining life-threatening trauma or severe illness.

Dr. Kingsley's extensive experience with opioid pain medications in this setting was a major reason for his desire to build a physician-led, true-medical model cannabis company. Simultaneously with his emergency medicine staffing responsibilities, Dr. Kingsley founded and developed multiple companies including Clinical Scribes LLC, a medical scribe documentation training and implementation company. Clinical Scribes LLC and its offshoot Medical Scribe Training Systems focus on efficient training of medical professionals, specifically medical scribes. Expertise developed in this setting has led to direct benefits for Vireo which is building an industry-leading, medically-sound, employee education system.

Dr. Kingsley is also the author of a wide array of scientifically robust medical scribe training textbooks—"The Ultimate Medical Scribe Handbook" series which is used by companies across the country to train their medical scribes. Dr. Kingsley also founded MedMacros LLC, a medical documentation augmentation company that provides physicians and other healthcare providers with online template to improve documentation speed and comprehensiveness. Dr. Kingsley also brings medical device start up expertise via Doctor Sly LLC, a company focused on development of intellectual property for simple cooling devices used to treat common medical conditions. Currently MigraineBox™ is a potential treatment for headaches by way of simple cooling of the head and neck. Dr. Kingsley obtained a patent for this method of cooling.

Dr. Kingsley is co-author of the Medical Cannabis Primer for Healthcare Providers, which was written for physicians and other healthcare providers to improve cannabis-derived medicine education and understanding in the medical community.

Dr. Kingsley received a Bachelor of Science degree in Biochemistry and a Bachelor of Arts degree in German from University of Minnesota in Duluth and received a Doctor of Medicine degree from the University of Minnesota, Twin Cities. During his time at the University of Minnesota, Duluth, Dr. Kingsley worked extensively in a biochemistry laboratory and developed expertise in HPLC and other laboratory techniques that are directly applicable to the medical cannabis industry.

Amber Shimpa | Director & Chief Financial Officer (Age 40)

As Vireo's Chief Financial Officer, Amber Shimpa employs a diverse set of skills and experiences to lead the Company's finance, accounting, tax, investor relations, corporate strategy, business administration and human resources business units. Amber will be a full-time employee of the Resulting Issuer.

Since Vireo's inception, Amber has led its finance, accounting, tax, investor relations, corporate strategy, business administration and human resources business units across multi-state operations. Amber's understanding and training in the strict compliance requirements of the banking industry, has led to open banking relationships across the country for Vireo and its

subsidiaries. Amber's commercial banking, business underwriting and analyst experience has heavily informed her role and prepared her to be CFO of the Company.

Amber began her professional career working for an investment bank in Minneapolis, MN in 2001. As the Assistant Vice President, Financial Analyst in the Commercial Finance division of Marshall BankFirst, she completed the credit analysis and preparation of loan packages, including presenting of the same to loan committee for approval in the origination and placement of \$290 million in commercial real estate financing, comprised of 21 loans. She earned the company's 'Peak Performer' award in 2004. During her time at Marshall BankFirst, Amber also managed over \$200 million each in commercial loan closings and commercial construction projects.

In 2006, Amber joined Stearns Bank as Vice President of Commercial Lending. Stearns Bank is a \$1.9 billion bank, focused on commercial, nationwide lending headquartered in St. Cloud, Minnesota. Amber's responsibilities included the origination, structure, underwriting and closing of commercial credit facilities, including commercial real estate, construction and development loans, USDA Business and Industry loans, and SBA loans. She managed and serviced a diverse loan portfolio totaling \$72 million in assets and consisting of 525 commercial and consumer loans. At peak volume following the acquisition of 2 banks in 2009 and 2011, Amber managed and serviced \$100 million in assets, consisting of over 725 loans. Amber coordinated with state and federal government staff on securing approvals for bank loan transactions that participated in and obtained guarantees via various government guaranteed loan programs, including the United States Department of Agriculture Business and Industry loan program and various Small Business Administration loan programs. She also completed compliance training for the Bank Secrecy Act and Anti-Money Laundering (BSA/AML) program.

A testament to Amber's strength in negotiating and navigating complex business scenarios, she achieved a reduction in an acquired bank's substandard loan portfolio from 81% concentration to 34%, a reduction of \$21 million in troubled assets within 2 years' time. Amber also completed the placement and sale of \$130 million in third party loan participations while at Stearns where she managed and serviced the participations for the bank. She developed and authored the bank's policies and procedures for the participation portfolio. Now after 15 years of experience in finance and banking and working with hundreds of business' CEOs and CFOs, Amber finds herself on the "other side of the table".

Amber graduated from the University of North Dakota in 2001 with a Bachelor of Business Administration degree in Marketing.

Aaron Hoffnung | Director & Chief Operating Officer (Age 45)

Mr. Aaron ("Ari") Hoffnung brings more than two decades of leadership experience on Wall Street, New York City Hall and the cannabis industry to the position of Chief Operating Officer at Vireo, Inc. As COO of Vireo, he is responsible for overseeing the company's day-to-day operations of the business and reporting to the CEO. Aaron will be a full-time employee of the Resulting Issuer.

Mr. Hoffnung also serves as the Chief Executive Officer of Vireo of New York where he leads the Company's top-notch team and works closely with the New York State Department of Health and members of the New York State Legislature on improving the State's medical cannabis program. As the Founder & President of the New York Medical Cannabis Industry Association, Mr. Hoffnung has emerged as one of the State's top thought leaders on medical cannabis policy. He has been instrumental bringing about regulatory changes designed to enhance patient access, such as the inclusion of chronic pain as a qualifying medical condition and

allowing for the home delivery of medical cannabis to homebound patients in a safe and secure manner.

Prior to entering the cannabis industry, Mr. Hoffnung served in the appointed role of New York City Deputy Comptroller for Budget & Public Affairs, where he oversaw the City's \$70 billion budget, managed a staff of the more than 100 employees and served as the chief liaison to all levels of governments and to various labor unions. As Deputy Comptroller, Aaron also led a research team comprised of economists and policy experts that published two-dozen white papers, including two ground-breaking and widely-cited reports on the public-health and economic impacts of reforming cannabis policies: 100,000 Reasons: Medical Marijuana in The Big Apple and Regulating and Taxing Marijuana: The Fiscal Impact on NYC. Through this policy research, his consultations with leading physicians and scientists, and by personally witnessing the pain and suffering of family members with debilitating conditions like ALS, Alzheimer's, and Cancer, Mr. Hoffnung has become a passionate advocate for medical cannabis. He has provided expert testimony before the New York City Council, New York State Assembly, and New York State Senate on cannabis policy issues and is often called upon by businesses, health care institutions, and members of the media to share his expertise.

Prior to serving in New York City government, Mr. Hoffnung was a Managing Director at Bear Stearns, where he worked for more than a decade in the areas of risk management, regulatory reporting, and information technology. He holds an MBA in Finance from New York University's Stern School of Business and a bachelor's degree from Queens College.

Chad Martinson | Director (Age 46)

Mr. Martinson has served as the Chief Executive Officer of ACOVA Integrated Health since November 2017. Previously he served as Chief Operating Officer and Chief Financial Officer of ACOVA Integrated Health, and Chief Financial Officer and Executive Vice President of Operations at Upsher-Smith Laboratories. Previous to that he was the Vice President of Finance and Business Development for the Neuromodulation Division of Medtronic. Mr. Martinson earned his Bachelor of Arts in Accounting and Communications from Luther College and his Masters of Business Administration from Harvard Business School and has expertise in financial matters, organizational management and business strategy. Mr. Martinson will chair the audit committee of the Resulting Issuer's board of directors and provide independent oversight to Vireo's executive team.

Amy Langer | Director (Age 47)

Amy Langer is the Co-founder of Salo, an independent board member, successful entrepreneur and industry thought leader. At Salo Ms. Langer has driven company growth and brand affinity through keen analysis of market gaps, architecting and leading innovative strategy and establishing sustainable and scalable infrastructure. Ms. Langer also serves on the board of directors for HealthPartners and GreaterMSP.

Chelsea A. Grayson | Director (Age 47)

Chelsea A. Grayson is the CEO and a board member of True Religion, and a Board Leadership Fellow and a Corporate Governance Fellow with the National Association of Corporate Directors (NACD). Prior to taking the CEO role with True Religion, she was the CEO and a board member of American Apparel (formerly NYSE MKT: APP). Before joining American Apparel, Ms. Grayson was a partner in the M&A/Corporate Governance practice group of Jones Day.

Judd Nordquist, CPA | Director (Age 49)

Judd Norquist is a CPA with 23 years of experience in tax preparation working with corporations, partnerships and individuals. Since 1995, Mr. Norquist has specialized in providing accounting, auditing and consulting services within construction, real estate and manufacturing industries. Mr. Norquist consults in tax efficient planning, budgeting and business planning with for-profit business throughout North America and is knowledgeable of the medical industry.

Mr. Norquist graduated from Minnesota State University, Mankato with a Bachelor of Science in Accounting and is a member of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants.

Stephen Dahmer, M.D. | Chief Medical Officer (Age 44)

Dr. Stephen M. Dahmer is the Chief Medical Officer at Vireo and a board-certified family doctor whose passion for health and healing has taken him around the globe. A fellow of the Arizona Center for Integrative Medicine, for over a decade he has studied the relationships between plants and people, working closely with diverse cultures and documenting their uses of plants. Aspiring to understand ethnomedical systems, as well as the plants and traditional beliefs that support them, Dr. Dahmer has worked in divergent settings including Umbanda terreiros in the heart of Brazil's second largest slum, Maori clinics in New Zealand, native healers on the Palauan Islands, and as a hospitalist to the Navajo (Dine) Tribe in Chinle, Arizona. Prior to starting full time work for Vireo of New York, Dr. Dahmer was most recently Assistant Clinical Professor of Family Medicine and Community Health at the Icahn School of Medicine at Mount Sinai where he passionately provided innovative primary care for over seven years in New York City where he lives and resides with his family. Dr. Dahmer will oversee the dispensary operations of the Resulting Issuer as well as leading its research efforts.

Eric Greenbaum, J.D. | Chief Scientific Officer (Age 40)

Eric Greenbaum is the Chief Scientific Officer of Vireo and has an impressive combination of scientific and legal expertise. Eric began his career working on stem cell and gene therapies for neurometabolic diseases. He went on to explore the role of protein folding in neurodegenerative diseases and led the team that performed the first biochemical characterization of the newly discovered E46K mutation responsible for a form of early onset Parkinson's Disease. After leaving academic science, Eric ran a boutique IP law firm where he crafted global patent strategies for biotech and pharmaceutical inventions. Since joining Vireo, Eric has been instrumental in developing our IP portfolio and driving our R&D efforts. Eric received a Bachelor of Science from Emory University in neuroscience; a master's of science from the University of Pennsylvania in pharmacology; and a JD from St. John's University. Eric will lead the manufacturing operations of the Resulting Issuer as well as overseeing its scientific research and development efforts.

Gary Starr, M.D. | Senior Vice President of Global Affairs & Chief Quality Officer (Age 46)

Gary Starr, M.D., is the Senior Vice President of Global Affairs & Chief Quality Officer for Vireo. Dr. Starr is board-certified emergency medicine physician who practices in Minnesota. In his role at Vireo's international office in Montreal, QC, Canada, Dr. Starr brings a wealth of knowledge as a result of his many years of experience at the intersection of medicine, business, manufacturing quality and politics. Dr. Starr currently serves in leadership roles in the American College of Emergency Physicians (ACEP), the Society of Cannabis Clinicians (SCC), and the Foundation of Cannabis Unified Standards (FOCUS). He also co-founded and has held multiple executive roles for other vertically integrated licensed medical cannabis manufacturers and

consulted for multiple U.S. and Canadian companies engaged in cannabis-related biopharmaceutical and consumer product development. A veteran of the United States Air Force, Dr. Starr graduated from the University of Cincinnati College of Medicine and completed his residency in emergency medicine at the University of Chicago and his residency in family medicine at Saint Louis University. Dr. Starr will oversee the quality assurance function of the Resulting Issuer.

Jay Westwater, M.D. | Chief Executive Officer of Minnesota Medical Solutions (Age 63)

Joseph (Jay) Westwater, M.D., J.D., is the Chief Executive Officer of Minnesota Medical Solutions, a subsidiary of Vireo. Dr. Westwater is a board-certified emergency department physician who has practiced in Minnesota for almost thirty years. A graduate of the University of Virginia School of Medicine and the Saint Thomas Physician Leadership College of Business, Dr. Westwater completed his residency at Hennepin County Medical Center and has held numerous medical staff and professional group leadership positions over the years. Prior to his career in medicine, Dr. Westwater received a law degree from the Georgetown University Law Center and practiced tax law and specialized in legislative affairs in Washington, D.C. Dr. Westwater will lead the Minnesota operations and governmental relations functions of the Resulting Issuer.

Michael Schroeder | General Counsel (Age 51)

Michael Schroeder serves as Vireo's General Counsel and Chief Compliance Officer. Michael has been an attorney for over 25 years, including six years in law firm practice in the New York City area and the balance as an in-house attorney. He served as General Counsel for two public companies prior to Vireo and has worked for companies in a variety of industries. He also oversaw the compliance function at two companies prior to joining Vireo. Michael has broad expertise in the law, including corporate structuring and transactions, securities, employment, contracts, real estate, capital markets, intellectual property, international trade, litigation management, dispute resolution, and administrative law. Michael received a Bachelor of Science, *magna cum laude*, in Business with a concentration in Finance from the University of Colorado at Boulder and a J.D. from Duke University.

Jennifer Duey | Chief Security Officer (Age 44)

Jennifer Duey currently serves as Vireo's Chief Security Officer. Jennifer has over 17 years of law enforcement/security experience at the private, local, and federal levels. She served over 14 years in the federal government as a Criminal Investigator/Special Agent with the Departments of Justice, Treasury, and Homeland Security. Jennifer has been involved in hundreds of federal criminal investigations and has extensive experience planning, organizing, and conducting criminal and administrative investigations for a myriad of offenses. During her federal law enforcement career, she served in a variety of positions including both Firearms Instructor and Use of Force Instructor, as well as assignments to the Violent Gang/Sex Offender Task Force (Immigration and Customs Enforcement), Public Corruption Task Force (Federal Bureau of Investigation) and the Joint Terrorism Task Force (Federal Bureau of Investigation). Jennifer has trained at various federal and private academies, where she successfully completed, among others, Protective Service Operations, DEA Narcotics Investigators Course, and several leadership training courses. Jennifer also has experience working within the private security industry, assisting with site planning and surveillance equipment layout and configuration, integrity/loss prevention, and internal investigations. Jennifer earned a BS Degree in Criminal Justice, graduating Summa Cum Laude, from Columbia College. She also holds a

MS Degree in Criminal Justice Administration and a Master in Public Administration, both from Nova Southeastern University.

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 at and Freely-Tradeable Float on a diluted and non-diluted basis:

	Number of Securities (non- diluted)	Number of Securities (fully- diluted) ⁽¹⁾	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	21,014,514	109,776,538	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	-	30,316,868	-	27.6%
Total Public Float (A-B)	21,014,514	79,459,670	100%	72.4%
<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)	-	48,155,327	-	43.2%
Total Tradeable Float (A-C)	21,014,514	61,621,211	100%	56.1%

Note:

(1) There will be 514,388 Multiple Voting Shares (which does not include securities to be issued in connection with the Acquisitions) and 65,411 Super Voting Shares issued and outstanding immediately following the completion of the Business Combination. Each Super Voting Share is convertible into one Multiple Voting Share at the option of the holder or upon certain triggering events. Each Multiple Voting Share is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events. This number also includes subordinate voting shares underlying existing and proposed convertible securities. Certain of the Multiple Voting Shares and all of the Super Voting Shares will be subject to a contractual lock-up with the Resulting Issuer for (i) 180 days following March 18, 2019, following which one third of the locked up shares may be transferred by the holders of such locked up

shares; (ii) 270 days following March 18, 2019 following which one third of the locked up shares may be transferred by the holders of such locked up shares; and (iii) 360 days following March 18, 2019 following which the final one third of the locked up shares may be transferred by the holders of such locked up shares.

Public Securityholders (Registered)

Class of Security: Subordinate Voting Share

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	3	44
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	1	1,031
2,000 – 2,999 securities	2	5,376
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	136	21,008,063
Total	142	21,014,514

Public Securityholders (Beneficial)

Class of Security: Subordinate Voting Share

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	108	1,272
100 – 499 securities	50	10,680
500 – 999 securities	30	21,941
1,000 – 1,999 securities	17	21,942
2,000 – 2,999 securities	5	15,759
3,000 – 3,999 securities	1	3,530
4,000 – 4,999 securities	1	4,706
5,000 or more securities	145	20,934,684
Unable to determine		
Total	357	21,014,514

Non-Public Securityholders (Registered)

Class of Security: Subordinate Voting Shares

Size of Holding	Number of holders	Total number of securities
1 - 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities		
5,000 or more securities		
Total	n/a	n/a

14.2 Convertible/Exchange Securities

All outstanding convertible securities of the Corporation are being cancelled pursuant to the terms of the Business Combination. Certain convertible securities are expected to become issuable in connection with the Acquisitions. See “General Development of the Business – Ongoing Acquisitions”.

14.3 Other Listed Securities

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

15. EXECUTIVE COMPENSATION

Compensation discussion and analysis

The Resulting Issuer’s compensation programs and strategies enable the organization to attract, retain and motivate key individuals whose performance enables the growth and success of the company. The Resulting Issuer follows a compensation strategy that offers attractive total compensation packages. In addition, compensation programs and methods ensure alignment of the Resulting Issuer’s NEOs, directors, and key employees with company goals and objectives to ensure increased value for the company and its shareholders. This alignment encourages accountability and dedication to the company, to its stakeholders, and to the Resulting Issuer’s shareholders.

The Board of Directors will seek to compensate the Resulting Issuer’s NEOs, directors and key employees by combining short and long-term cash and equity incentives. It will also seek to reward the achievement of corporate and individual performance objectives and to align executive officers’ incentives with shareholder value creation. This ensures the Resulting Issuer creates and maintains a compensation philosophy and company culture where excellence in performance is rewarded, as the Resulting Issuer believes this is paramount to its ongoing success.

Compensation of Executives

There are two key objectives of the Resulting Issuer’s current compensation program and strategy. The first is to promote a results-driven and return-on-investment focused company culture that rewards individuals whose contributions directly impact the success of the Resulting Issuer. The second is to ensure the company’s growth, expansion, and budgetary goals are clearly stated and communicated so all NEOs, directors, and key employees are focused on specific actions and initiatives that align with the Resulting Issuer’s overall goals and deliverables. Total compensation is not solely focused on base salary but is more heavily focused on incentive compensation tied to company and individual achievements that drive revenue, growth, and increased share value.

Elements of Compensation

There are two principal elements to the Resulting Issuer’s total compensation approach: (i) base salary pay, and (ii) stock option awards.

The first element includes developing and integrating salary ranges for NEOs and other key employees that are competitive with the national and local markets to attract and retain talent

while leaving room for advancement within the pay range based on excellent performance and merit increases. The second element involves stock option awards and, potentially, awards of restricted stock, restricted stock units, and stock appreciation rights, which will be designated for NEOs, directors, and certain key employees under an equity incentive plan.

Base Salary

Under the first compensation program element, the Resulting Issuer engages in compensation research to develop salary and total compensation ranges that are reflective of the various regions and markets where the Resulting Issuer operates, across all business units and, where appropriate, reflective of the national market for scarce industry-specific talent in certain functional areas. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration past, current and potential contribution to the Resulting Issuer's success and the position and responsibilities of the NEOs.

Equity Incentive Plan or other equity awards

Under the second compensation element, an equity incentive plan will be integrated to recognize the aligned contributions of NEOs, directors, and other key employees. For further details in respect of the Plan, please see Section 9 above.

Performance graph

This section does not apply because the Resulting Issuer was not a reporting issuer in any jurisdiction in Canada for at least 12 calendar months before the end of the most recently completed financial year.

Share-based and option-based awards

The Resulting Issuer's equity incentive plan was not yet been established at the end of its most recently completed financial year. More information on the equity incentive plan that has been adopted is included in Section 9 Options to Purchase Securities.

Compensation governance

At this time, there are no policies, practices, or compensation committees adopted to determine compensation for the Resulting Issuer's directors and executive officers. The Resulting Issuer Board has not created or appointed a compensation committee given the Resulting Issuer's current size and stage of development. All tasks related to the development and monitoring of the Resulting Issuer's approach to compensation of NEOs and directors are performed by members of the Resulting Issuer's Board of Directors. The compensation of the NEOs, directors and employees or consultants, if any, is reviewed, recommended and approved by the Resulting Issuer Board of Directors without reference to any specific formula or criteria.

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

Summary Compensation Tables

The following tables set forth the compensation paid, awarded, or to be paid or awarded to the Named Executive Officers (NEO): Chief Executive Officer; Chief Financial Officer; two most highly compensated individuals of the Resulting Issuer whose total compensation was more

than \$150,000 (there was not a third for 2017); and/or individuals who would be an NEO but for the fact that they are neither an executive officer, nor acting in a similar capacity, at the end of that financial year:

(a) Name & principal position	(b) Year	(c) Salary (USD\$)	(d)	(e)	(f) Non-equity incentive plan comp (USD\$)	(g) Pension Value (USD\$)	(h) All other compensation (USD\$)	(i) Total compensation (USD\$)
			Share- based awards (USD\$)	Option Based Awards (USD\$)				
Kyle Kingsley, CEO	2018	\$252,248	n/a	n/a	n/a	n/a	n/a	\$252,248
	2017	\$205,385						\$205,385
	2016	\$55,386						\$55,385
Amber Shimpa, ² CFO	2018	\$271,741	n/a	n/a	n/a	n/a	n/a	\$271,741
	2017	\$195,000						\$195,000
	2016	\$126,462						\$126,462
Aaron Hoffnung, COO	2018	\$311,348	n/a	n/a	n/a	n/a	n/a	\$311,348
	2017	\$200,000						\$200,000
	2016	\$200,000						\$200,000
Stephen Dahmer, CMO	2018	\$320,148	n/a	n/a	n/a	n/a	n/a	\$320,148
	2017	\$227,475						\$227,475
	2016	\$197,990						\$197,990

Employment, Consulting and Management Agreement

Management functions of the Resulting Issuer are not, to any substantial degree, performed other than by directors of NEOs of the Resulting Issuer. As a result, the Resulting Issuer is not party to any formal, written employment, consulting or management agreements with any NEO or director.

Officers who also act as Directors

For 2016 and 2017, NEOs who were Directors on the Board of Directors did not receive compensation outside of that listed in the respective compensation tables above for director's fees.

Directors may receive additional compensation for acting as chairs of committees of the Board of Directors. Directors will also be entitled to receive stock options and other applicable awards in accordance with the terms of the Plan and the CSE requirements and will be reimbursed for any out-of-pocket expenses incurred in order to attend the meetings of the Board of Directors, committees or shareholder meetings. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors.

Pension plan benefits

No pension, retirement or deferred compensation plans, including defined contribution plans have been instituted by the Resulting issuer and none are proposed at this time.

Termination and Change of Control Benefits

The Resulting Issuer has not entered into formal executive employment agreements. The only change of control benefits executives will be entitled are those issuable under the Resulting Issuer's equity incentive plan. For more information on the equity incentive plan, please see Section 9.

Oversight and Description of Director and Named Executive Officer Compensation

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

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Upon completion of the Business Combination, 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

The following are certain factors relating to the business of the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to the Resulting Issuer or currently deemed immaterial by the Resulting Issuer, may also impair the operations of the Resulting Issuer. If any such risks actually occur, shareholders of the Resulting Issuer could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

The acquisition of any of the securities of the Resulting Issuer is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Resulting Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Resulting Issuer Shareholders should evaluate carefully the following risk factors associated with the Resulting Issuer's securities, along with the risk factors described elsewhere in this Listing Statement.

Risks Relating to the Proposed Transaction

There can be no certainty that the Proposed Transaction will be completed

Completion of the Proposed Transaction is subject to a number of conditions, certain of which may be outside the control of both Vireo, including, without limitation, the requisite shareholder approvals. There can be no assurance, the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the Proposed Transaction will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Subordinate Voting Shares.

If the Proposed Transaction is not completed, the Company remains liable for significant consulting, accounting and legal costs relating to the Proposed Transaction and will not realize anticipated benefits of the Proposed Transaction.

There is currently no market through which the common shares may be sold and there is no assurance that the common shares will be admitted to a listing or qualified for distribution in Canada or any other jurisdiction in the event that the Proposed Transaction is not completed.

The pending Proposed Transaction may divert the attention of the Company's management

The pendency of the Proposed Transaction could cause the attention of the Company's management to be diverted from the day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Proposed Transaction and could have an adverse effect on the business, operating results or prospects of the Vireo regardless of whether the Proposed Transaction is ultimately completed, or of the Resulting Issuer if the Proposed Transaction is completed.

Business of the Resulting Issuer Risks

Marijuana remains illegal under U.S. federal law

While cannabis in certain forms and for certain uses has been legalized under some state laws, Cannabis remains illegal under U.S. federal law.

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 *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, a total of 33 states, plus the District of Columbia, have legalized cannabis in some form and for certain uses.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I 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. Even in those states in which the use of cannabis has been legalized, its possession and use remain a violation of federal law. Since federal law criminalizing the use of cannabis pre-empts state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Resulting Issuer's business, prospects, results of operation and financial condition.

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 the inconsistent legislation and regulation that overlays the industry and its participants. 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. 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**"). 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 were 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 prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

In November 2018, Mr. Sessions resigned as Attorney General and Matthew Whitaker was appointed Acting Attorney General. In December 2018, President Donald Trump announced that he would nominate William P. Barr to be Attorney General. Mr. Barr has not publicly stated a position on the Sessions Memorandum nor on enforcement of federal cannabis-related laws. As a result, 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 number of federal prosecutions of state-legal cannabis operations is 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 laid the groundwork for United States Attorneys to take their cues on enforcement priority directly from former Attorney General Jeff Sessions by referencing federal law enforcement priorities set by Mr. Sessions. However, the status of the Sessions Memorandum is uncertain given Mr. Sessions' resignation.

If the Department of Justice policy were to aggressively pursue financiers or equity owners of cannabis-related businesses, 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, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life. On September 21, 2018, the U.S. Customs and Border Protection (“**CBP**”) issued the “CBP Statement on Canada’s Legalization of Marijuana and Crossing the Border”, in which the CBP confirmed the possibility of the foregoing, including the fact that “working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal may affect admissibility to the U.S.”

Given the current uncertainty regarding the new Attorney General’s position on cannabis enforcement, a prospective investor in the Resulting Issuer’s securities should consider that 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-Leahy Amendment (“**RLA**”) 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. Congress passed the Continuing Appropriations Act, 2019 in September 2018, which extended the deadline of the March 2018 omnibus spending bill until December 7, 2018. On December 7, 2018, a short-term spending bill was passed to fund certain government agencies, which extended the RLA to December 21, 2018. Should the RLA 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 Vireo’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.

Unless and until the United States Congress amends the CSA with respect to medical use cannabis and/or adult-use (recreational) cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law, and the business of the Resulting Issuer may

be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States. If the U.S. federal government begins to enforce U.S. 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, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. Despite the current state of the federal law and the CSA, the States of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont, Alaska and Michigan, and the District of Columbia, have legalized recreational use of cannabis. Michigan has not yet begun recreational cannabis commercial operations. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers. In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, provided that certain states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of tetrahydrocannabinol ("THC"). However, 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.

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 Subordinate Voting Shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or the final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The business of the Resulting Issuer will be subject to 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.

The Resulting Issuer's Operational Subsidiaries are directly engaged in the cultivation, processing, possession, use, sale or distribution of cannabis in the medicinal cannabis marketplace in the states and territories of Arizona, Maryland, Massachusetts, Minnesota, New Mexico, New York, Nevada, Ohio, Pennsylvania, Puerto Rico and Rhode Island and is actively pursuing expansion into the adult-use cannabis marketplaces in Massachusetts, Nevada and California as deemed appropriate by management.

There is no assurance that the Resulting Issuer will obtain and/or retain any relevant licenses.

State licenses in the U.S. are subject to ongoing compliance and reporting requirements. Failure by the Resulting Issuer to comply with the requirements of licenses or any failure to maintain licenses could have a material adverse effect on the business, financial condition and operating results of the Resulting Issuer. Should any state license which the Resulting Issuer considers important not be granted, extended or renewed, or should the Resulting Issuer renew such license on different terms, or should the state decide to grant more licenses than currently anticipated, the business, financial condition and results of the operation of the Resulting Issuer could be materially adversely affected.

The Minnesota Department of Health (“MDH”) has opened an examination of the recordkeeping, inventory controls, and business operations of Vireo's subsidiary following MDH's discovery of alleged violations in November 2017 during an unannounced inspection of Vireo's production facility in Otsego, Minnesota. This examination is ongoing.

If MDH (or another regulator with respect to any future examination of the Resulting Issuer's operations), were to determine that the Resulting Issuer had violated state laws or regulations, such regulator may seek the imposition of administrative penalties or seek to revoke or suspend the Resulting Issuer's licenses in response. The suspension or revocation of a license in any jurisdiction would harm the Resulting Issuer's ability to maintain and obtain licenses in other jurisdictions. The Resulting Issuer would need to disclose its loss of a license to regulators in other jurisdictions in which it operates (through subsidiaries) and to regulators in targeted new markets.

Any suspension or revocation of the Resulting Issuer's registration or licensing, or criminal charges against it or a subsidiary in one state would have a material adverse effect on the Resulting Issuer's overall business, including forcing the shutdown of operations in the applicable state and jeopardizing its' ability to obtain and maintain licenses in other states.

The criminal charges filed against Vireo's former employees in Wright County Minnesota may adversely affect the Resulting Issuer's ability to obtain or maintain license or registration approvals needed to operate its business.

As disclosed below under “Legal Proceedings” at Section 19.1, two former Vireo executives are subject to criminal charges in Wright County, Minnesota, stemming from an alleged violation of Minnesota Statute Section 152.33, subd. 1 (Intentional Diversion of Medical Cannabis) that allegedly occurred in December 2015 involving cannabis oils being transported from a Vireo facility in Minnesota to a Vireo facility in New York. It is not possible at this time to reasonably

assess the outcome of the litigation or its impact on Vireo. The pending litigation has put a financial and reputational strain on Vireo, including delaying the Maryland licensure process.

Because of the federally illegal nature of the cannabis industry, the Resulting Issuer will have restricted access to banking in the United States.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act of 1970, as amended (the “**Bank Secrecy Act**”). These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA.

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. 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 or any future 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.

The regulatory environment for cannabis in the United States may subject the Resulting Issuer to 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 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. 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 Subordinate Voting Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Subordinate Voting Shares to make and settle trades. In particular, the Subordinate Voting Shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the Subordinate Voting Shares through the facilities of the applicable stock exchange.

The regulatory environment for cannabis in the United States imposes constraints on marketing the Resulting Issuer’s products.

The development of the Resulting Issuer’s business and operations 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.

The unfavorable tax treatment of cannabis businesses in the United States will have negative tax implications for the Resulting Issuer.

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 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 cannabis business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses. The inability of the Resulting Issuer to deduct certain expenses relating to its business may have a material adverse effect on the financial position of the Resulting Issuer.

Because the cannabis industry remains illegal under U.S. federal law, the Resulting Issuer is at 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. Any such seizure of assets of the Resulting Issuer could have a material adverse effect on its business, operations and financial results.

If the Resulting Issuer's licenses or proceeds from its licenses are considered proceeds of crime under applicable money laundering statutes, the Resulting Issuer may be prevented from distributing funds from its operating subsidiaries.

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 have a material adverse effect on 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.

The Resulting Issuer will be classified as a United States corporation for United States federal income tax purposes and as a Canadian corporation for Canadian federal income tax purposes, and will therefore be subject to double taxation.

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.

Upon the consummation of the Transaction, the Resulting Issuer is expected 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 Subordinate Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of

Canada for purposes 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.

As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Resulting Issuer's non-U.S. shareholders upon a disposition of Subordinate Voting Shares generally depends on whether the Resulting Issuer is classified as a United States real property holding corporation (a "USRPHC") under the Code. The Resulting Issuer expects that it will not be a USRPHC immediately after the Transaction or for the foreseeable future. If the Resulting Issuer becomes a USRPHC, its non-U.S. shareholders may be subject to U.S. federal income tax on any gain associated with the disposition of the Subordinate Voting Shares.

Because the Subordinate Voting 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 Subordinate Voting Shares.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER'S PARTICULAR CIRCUMSTANCES, FROM THEIR OWN TAX ADVISOR.

The Resulting Issuer's operating locations and transfers may be subject to security risks, such as break-ins and theft, and the resultant loss of product materials and cash.

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.

The Resulting Issuer has a limited operating history, which may make it difficult for investors to predict future performance based on current operations.

The Resulting Issuer has a limited operating history upon which investors may base an evaluation of its potential future performance, having begun operations in 2018. The Resulting Issuer has shown that the Resulting Issuer can produce and sell produce, herbs, floral products, infused products or other cannabis products in a manner that enables it to be profitable and meet customer requirements, enhance its produce, herbs, or floral products, obtain the necessary permits and/or achieve certain milestones to develop its dispensary businesses, enhance its line of cannabis products, develop and maintain relationships with key manufacturers and strategic partners to extract value from its intellectual property, raise sufficient capital in the public and/or private markets, and respond effectively to competitive pressures. Notwithstanding its successes to date, there can be no assurance that the Resulting Issuer will be able to develop or maintain consistent revenue sources, or that its operations will continue to be profitable and/or generate positive cash flow and/or grow.

As a result of its limited operating history, any forecasts the Resulting Issuer makes about its operations may prove to be inaccurate. The Resulting Issuer must, among other things, determine appropriate risks, rewards, and level of investment in its product lines, respond to economic and market variables outside of its control, respond to competitive developments and continue to attract, retain, and motivate qualified employees. There can be no assurance that the Resulting Issuer will be successful in meeting these challenges and addressing such risks and the failure to do so could have a material adverse effect on its business, results of operations, and financial condition. Its prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stage of development. As a result of these risks, challenges, and uncertainties, the value of an investment in the Resulting Issuer could be significantly reduced or completely lost.

The Resulting Issuer will likely need additional capital to sustain its operations and will likely need to seek further financing, which the Resulting Issuer may not be able to obtain on acceptable terms or at all. If the Resulting Issuer fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised.

To date, the Resulting Issuer's operations and expansion of its business have been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. The Resulting Issuer expects to require substantial additional capital in the near future to continue the expansion of its business into additional states in the United States, expand its product lines, develop its intellectual property base, and establish its targeted levels of commercial production. The Resulting Issuer may not be able to obtain additional financing on terms acceptable to it, or at all. In particular, because marijuana is illegal under United States federal law, the Resulting Issuer may have difficulty attracting investors.

Even if the Resulting Issuer obtains financing for its near-term operations and expansion, the Resulting Issuer expects that it will require additional capital thereafter. Its capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by its competition; (iii) the level of its investment in research and development; and (iv) the amount of its capital expenditures, including acquisitions. The Resulting Issuer may not be able to obtain capital in the future to meet its needs.

If the Resulting Issuer raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing shareholders will be reduced and its shareholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of its existing securities. If the Resulting Issuer raises additional capital by incurring debt, this will result in increased interest expense. If the Resulting Issuer raises additional funds through the issuance of equity securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

The Resulting Issuer cannot give you any assurance that any additional financing will be available to it, or if available, will be on terms favorable to it. If the Resulting Issuer is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and the Resulting Issuer could be forced to reduce or discontinue its operations.

There can be no certainty that the Acquisitions will be completed

Completion of the Acquisitions are subject to a number of customary closing conditions for transactions of those types. There can be no assurance, and the Company cannot provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the transactions contemplated under the definitive agreements will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Subordinate Voting Shares.

If the Acquisitions are not completed, the Company may remain liable for significant consulting, accounting and legal costs relating to the Acquisitions and may not realize the anticipated benefits contemplated under the ongoing acquisitions.

There can be no certainty that the non-binding letters of intent will be completed

Completion of the Vireo acquisitions contemplated by the non-binding letters of intent with the Canadian LP, Vireo Nutraceutical and the Industrial Equipment Company is subject to a number of conditions, certain of which may be outside the control of Vireo, including, without limitation, the requisite shareholder approvals. There can be no assurance, and the Company cannot provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied or that the transactions contemplated under the non-binding letters of intent will be completed as currently contemplated or at all. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Subordinate Voting Shares.

If the transactions contemplated under the non-binding letters of intent are not completed, the Company may remain liable for significant consulting, accounting and legal costs relating to the transactions contemplated under the non-binding letters of intent and may not realize the anticipated benefits contemplated under the non-binding letters of intent.

The Resulting Issuer's business could be adversely affected if it fails to protect its intellectual property.

The Resulting Issuer's viability will depend, in part, on its ability to develop and maintain the proprietary aspects of its intellectual property to distinguish its products from its competitors' products. The Resulting Issuer relies on patents, copyrights, trademarks, trade secrets, and

confidentiality provisions to establish and protect its intellectual property. However, 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 directly identifies cannabis products. As a result, the Resulting Issuer may 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 also may not be able to enforce some of its other intellectual property rights because cannabis is illegal under federal law.

Any infringement or misappropriation of the Resulting Issuer's intellectual property could damage its value and limit its ability to compete. The Resulting Issuer may have to engage in litigation to protect the rights to its intellectual property, which could result in significant litigation costs and require a significant amount of its time. In addition, the Resulting Issuer's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the United States, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Resulting Issuer.

Competitors may also harm the Resulting Issuer's sales by designing products that mirror its products or processes without infringing on its intellectual property rights. If the Resulting Issuer does not obtain sufficient protection for its intellectual property, or if the Resulting Issuer is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue.

The Resulting Issuer may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that the Resulting Issuer will have the financial or other resources to be able to enforce its rights or prevent other parties from developing similar products or processes or designing around its intellectual property.

The Resulting Issuer's trade secrets may be difficult to protect.

The Resulting Issuer's success depends upon the skills, knowledge, and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensors and contractors. Because the Resulting Issuer operates in several highly competitive industries, the Resulting Issuer relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. The Resulting Issuer enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside medical and scientific collaborators, developers, and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties confidential information developed by the receiving party or made known to the receiving party by it during the course of the receiving party's relationship with it. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to it will be the Resulting Issuer's exclusive property, and the Resulting Issuer enters into assignment agreements to perfect its rights.

These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to the Resulting Issuer. The Resulting Issuer's trade secrets also could be independently discovered by competitors, in which case the Resulting

Issuer would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using its trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect its competitive position.

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 shareholders that third parties will not assert intellectual property claims against it. The Resulting Issuer is subject to additional risks if entities licensing intellectual property to it do not have adequate rights in any such licensed intellectual property. 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.

If the Resulting Issuer is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected.

In the area of innovation, the Resulting Issuer must be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Resulting Issuer may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

A drop in the retail price of medical marijuana products may negatively impact the business of the Resulting Issuer.

The demand for the Resulting Issuer's products depends in part on the price of commercially grown marijuana. Fluctuations in economic and market conditions that impact the prices of commercially grown marijuana, such as increases in the supply of such marijuana and the decrease in the price of products using commercially grown marijuana, could cause the demand for medical marijuana products to decline, which would have a negative impact on the Resulting Issuer's business.

The elimination of monetary liability against its directors, officers, and employees under British Columbia (upon completion of the planned reverse takeover) law and the existence of indemnification rights for its obligations to its directors, officers, and employees may result in substantial expenditures by it and may discourage lawsuits against its directors, officers, and employees.

The Resulting Issuer's Articles contain a provision permitting it to eliminate the personal liability of its directors and officers to it and its shareholders for damages incurred as a director or officer to the extent provided by British Columbia law. The Resulting Issuer may also have contractual indemnification obligations under any future employment agreements with its officers or agreements entered into with its directors. The foregoing indemnification obligations could result in it incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which the Resulting Issuer may be unable to recoup. These provisions and the resulting costs may also discourage it from bringing a lawsuit against directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by the Resulting Issuer's shareholders against the Resulting Issuer's directors and officers even though such actions, if successful, might otherwise benefit it and its shareholders.

The Resulting Issuer will be subject to increased costs as a result of being a public company.

As a public issuer, Vireo (through 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 its 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 its 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 and financial condition.

In particular, as a result of the Transaction, Vireo (through the Resulting Issuer) will become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, which requires annual management assessment of the effectiveness of its internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for it to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on it as well as on its management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm its 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 its consolidated financial statements and materially adversely affect the trading price of the Subordinate Voting Shares.

Conflicts of interest may arise for directors and officers of the Resulting Issuer who serve as directors and officers of other companies.

Certain of the directors and officers of the Resulting Issuer are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Resulting Issuer and as directors and officers of such other companies.

Certain remedies may be limited

The Resulting Issuer's governing documents may provide that the liability of its Board of Directors (the "Resulting Issuer Board") and its officers is eliminated to the fullest extent permitted under the laws of the Province of British Columbia. Thus, the Resulting Issuer and the

shareholders of the Resulting Issuer may be prevented from recovering damages for alleged errors or omissions made by the members of the Resulting Issuer Board and its officers. The Resulting Issuer's governing documents may also provide that the Resulting Issuer will, to the fullest extent permitted by law, indemnify members of the Resulting Issuer Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Resulting Issuer.

Canadian shareholders may have difficulty in enforcing judgments and effecting service of process on directors and officers who reside outside of Canada.

The proposed directors and officers of the Resulting Issuer are expected to reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Resulting Issuer shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Resulting Issuer shareholders to effect service of process within Canada upon such persons.

Past performance of Vireo may not be indicative of future results of the Resulting Issuer.

The prior operational performance of Vireo may not be indicative of the future operating results of the Resulting Issuer. There can be no assurance that the historical operating results achieved by Vireo or its affiliates will be achieved by the Resulting Issuer, and the Resulting Issuer's performance may be materially different.

The Resulting Issuer will be subject to currency fluctuations due to revenues in the United States and operating expenses in Canada.

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.

The Resulting Issuer may not have access to U.S. bankruptcy protections given the nature of its business.

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 insolvency. 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.

If cannabis is legalized at the U.S. federal level, the Resulting Issuer may become subject to US 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 (the "FDCA"). Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, 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 that would have on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced.

Over the last several years, the FDA has issued warning letters to several medical cannabis companies warning them that the marketing of their products violated the FDCA because inter alia “they are articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease.” Such products may not be sold without prior FDA approval. The FDA also warned consumers to beware of purchasing and using any such products.

An FDA enforcement action against the Resulting Issuer under the FDCA could result in fines, disgorgement of profits, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, loss of ability to sell products, injunctions and criminal prosecution.

The legality of the Resulting Issuer’s contracts may come into question given the nature of its business.

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

The Resulting Issuer’s products may be the subject of unfavourable publicity or negative consumer perception from research or proceedings.

The Resulting Issuer’s ability to generate revenue and be successful in the implementation of its business plan is heavily dependent on patient and physician perceptions and acceptance of its product lines. Acceptance of the Resulting Issuer’s products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If customers do not accept the Resulting Issuer’s products, or if the Resulting Issuer fails to meet customers’ needs and expectations adequately, its ability to continue generating revenues could be reduced. Consumer perception of the Resulting Issuer’s proposed products may be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of medicinal and recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other publicity will be favourable to the medical or recreational cannabis market or to 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 medical or recreational cannabis in general, or the Resulting Issuer’s proposed products specifically, or associating the consumption of medical or recreational cannabis with illness or other negative effects or events,

could have such a material adverse effect on the Resulting Issuer. 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.

The voting control represented by the Super Voting Shares may give the holder the ability to pursue transactions with which other shareholders of the Resulting Issuer may disagree.

As a result of the Super Voting Shares that he is anticipated to hold, Kyle Kingsley, Vireo's Founder & Chief Executive Officer, is 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. Kingsley is 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 holder of the Super Voting Shares to consummate such a transaction that the Resulting Issuer's other shareholders do not support. In addition, the holder 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.

The trading volume and price of the Subordinate Voting Shares may be unpredictable as a result of the lack of familiarity with the Resulting Issuer's capital structure and associated voting rights.

Although other Canadian-based companies have dual class or multiple voting share structures, given the uncommon 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 Subordinate Voting Shares or may result in adverse publicity to the Resulting Issuer or other adverse consequences.

The Resulting Issuer is a holding company and will be dependent on its subsidiaries for revenues and distributions.

The Resulting Issuer is a holding company and has no material assets other than proceeds received from its planned offering and ownership of its subsidiaries, currently: 1776 Hemp LLC, C201, EHF, High Gardens, RMA, PAMS, P132, Pennsylvania Dispensary Solutions, MinnMed, MaryMed, Silver Fox, Vireo NY and XAAS.

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.

The Resulting Issuer will have additional capital requirements, which it may not be able to obtain on terms acceptable to it or at all.

The Resulting Issuer will likely need additional capital to sustain its operations and will likely need to seek further financing. If the Resulting Issuer fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised. To date, the Resulting Issuer's operations and expansion of its business have been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. The Resulting Issuer expects to require substantial additional capital in the near future to commence the expansion of its business into additional states in the United States, expand its product lines, develop its intellectual property base, and establish its targeted levels of commercial production. The Resulting Issuer may not be able to obtain additional financing on terms acceptable to it, or at all. In particular, because marijuana is illegal under federal law, the Resulting Issuer may have difficulty attracting investors.

Even if the Resulting Issuer obtains financing for its near-term operations and expansion, the Resulting Issuer expects that it will require additional capital thereafter. Its capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by its competition; (iii) the level of its investment in research and development; and (iv) the amount of its capital expenditures, including acquisitions.

If the Resulting Issuer raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing stockholders will be reduced and its stockholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of its securities. If the Resulting Issuer raises additional capital by incurring debt, this will result in increased interest expense. If the Resulting Issuer raises additional funds through the issuance of securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

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 Subordinate Voting Shares 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 Subordinate Voting Share 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.

No assurance can be given that any additional financing will be available to the Resulting Issuer, or if available, will be on terms favorable to it. If the Resulting Issuer is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and it could be forced to reduce or discontinue its operations.

The market price for the Subordinate Voting Shares may be volatile due to a number of factors, including certain factors that may be beyond the Resulting Issuer's control.

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 the Super Voting Shares and on certain Multiple Voting Shares and 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 in the United States and elsewhere;
- 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 levels of volatility

continue, the Resulting Issuer's operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

The lock-up of a significant number of shares of the Resulting Issuer may adversely affect liquidity of the shares and the transparency of pricing of the shares, and the later release may put downward pressure on the share price.

Although Subordinate Voting Shares held by existing shareholders of the Corporation and Subordinate Voting Shares issued in connection with the exchange of the Subscription Receipts will be freely tradable under applicable securities legislation, the Super Voting Shares, Multiple Voting Shares and Subordinate Voting Shares held by Vireo's directors, executive officers, and a significant percentage of the currently existing securityholders of Vireo may be subject to lock-up restrictions. The fact that a significant number of the Super Voting Shares, Multiple Voting Common Shares and Subordinate Voting Shares may be locked up for a substantial period of time upon consummation of the transaction may negatively affect the liquidity of the Subordinate Voting Shares on the CSE and may negatively affect the transparency of the Subordinate Voting Share trading price on the CSE in terms of the price per share in light of the valuation of the Resulting Issuer. In addition, the fact that a substantial number of the Subordinate Voting Shares may be released in the public market upon expiry of the lock-up (even if the locked-up shares are released periodically over time), or the perception that these sales could occur, could adversely affect the market price of the Subordinate Voting Shares and may make it more difficult for investors to sell Subordinate Voting Shares at a favourable time and price relative to such lock-up expiry dates.

There can be no assurance that an active trading market for the Subordinate Voting Shares will develop or, once developed, be sustained.

The Resulting Issuer cannot predict at what price 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.

Future acquisitions, dispositions or other transactions may involve a number of potential risks to the Resulting Issuer.

Material acquisitions, dispositions and other strategic transactions undertaken by the Resulting Issuer may 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 securities in connection with such transactions, which may 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 medical or 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 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 a substantial portion of 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 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 medical and recreational cannabis industries are 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 cannabis 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.

The Resulting Issuer's future success depends on its key executive officers and its ability to attract, retain, and motivate qualified personnel, including licensed pharmacists.

The Resulting Issuer's future success largely depends upon the continued services of its executive officers and management team. If one or more of the Resulting Issuer's executive officers are unable or unwilling to continue in their present positions, the Resulting Issuer may not be able to replace them readily, if at all. Additionally, the Resulting Issuer may incur additional expenses to recruit and retain new executive officers. If any of the Resulting Issuer's executive officers joins a competitor or forms a competing company, it may lose some or all of its customers. Finally, the Resulting Issuer does not maintain "key person" life insurance on any of its executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect its business, financial condition, and results of operations, and thereby an investment in its stock.

The Resulting Issuer's continuing ability to attract and retain highly qualified personnel will also be critical to its success because the Resulting Issuer will need to hire and retain additional personnel as its business grows. There can be no assurance that the Resulting Issuer will be able to attract or retain highly qualified personnel. The Resulting Issuer faces significant competition for skilled personnel in its industries. This competition may make it more difficult and expensive to attract, hire, and retain qualified personnel managers and employees. In particular, under some state laws (such as Minnesota and New York), companies are required to employ licensed pharmacists to dispense cannabis-based products at their dispensaries. Vireo has experienced and the Resulting Issuer expects to continue to experience intense competition for qualified pharmacists willing to dispense cannabis-based products (which is illegal under federal law).

If the Resulting Issuer is unable to attract and retain qualified personnel, its business may be materially and adversely affected. Because of these factors, the Resulting Issuer may not be able to effectively manage or grow its business, which could adversely affect its financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

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 Vireo and/or the Resulting Issuer.

Shortly after Vireo's repurchase of MaryMed from Dorchester Capital, LLC, in October 2018 (the "**MaryMed Transaction**"), Dorchester Capital received a letter with a formal request for disclosure of documents from a member of Dorchester Capital relating to the MaryMed Transaction, requesting documents to evaluate the value of Dorchester Capital's equity interests at the time Vireo and Dorchester Capital entered into the agreement of sale, the status of the business and financial condition of Dorchester Capital, the performance of Dorchester Capital's management and the propriety of the transaction between Vireo and Dorchester Capital. In response to the letter, Dorchester Capital has appointed an independent special litigation committee to evaluate the matters raised in the letter. While Vireo believes that the transaction with Dorchester Capital was on market terms and reasonable in the circumstances, it is not clear at this time whether the letter and the response thereto will lead to a claim being filed in a court of law and as a result, Vireo cannot currently reasonably assess the outcome or potential impact on Vireo of any such claim. Should the special litigation committee process, or any resultant litigation in which Vireo becomes involved, be determined negatively for Vireo, such a decision could adversely affect Vireo's and the Resulting Issuer's financial results and the market price for the Subordinate Voting Shares and could divert significant management and financial resources, even if Vireo ultimately prevails.

Product liability

The Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products, or the products of other manufacturers that the Resulting Issuer purchases at wholesale and resells at retail, 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 medical or 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.

The Resulting Issuer's business, financial condition, results of operations, and cash flow may in the future be negatively impacted by challenging global economic conditions.

Future disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. 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. These macroeconomic developments could negatively impact the Resulting Issuer's business, which depends on the general economic environment and levels of consumer spending. As a result, the Resulting Issuer may not be able to maintain its existing customers or attract new customers, or the Resulting Issuer may be forced to reduce the price of its products. The Resulting Issuer is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations, and cash flow.

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 other than Kyle Kingsley.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

There are no actual or contemplated legal proceedings material to the Resulting Issuer or a subsidiary of the Resulting Issuer or of which any of their respective property is the subject matter and there are no such proceedings known to the Resulting Issuer to be contemplated, except as follows:

Wright County, Minnesota

On May 19, 2016, a search warrant was executed at Vireo's patient dispensary in Minneapolis, Minnesota— MinnMed. The search warrant alleges that a violation of Minnesota Statute Section 152.33, subd. 1 (Intentional Diversion of Medical Cannabis) occurred in December 2015 involving cannabis oils being transported from a Vireo facility in Minnesota to a Vireo facility in New York State. Specifically, the search warrant alleges that Dr. Laura Bultman, previously employed as Vireo's Chief Medical Officer, drove from Minnesota to New York in one of Vireo's armored vehicles transporting approximately three kilograms of cannabis oil.

The Minnesota Bureau of Criminal Apprehension (“**BCA**”) led the investigation into the allegations related to the diversion of medical cannabis. Stemming from this investigation, on February 6, 2017, criminal charges were filed in Wright County, Minnesota against two former executive officers of Vireo, Dr. Laura Bultman and Ronald Owens, charging them with violations of Minnesota state laws governing diversion of medical marijuana products. Neither Vireo nor MinnMed, or any of their current officers or employees, have been charged with any crimes.

The impact, if any, these criminal charges will have on Vireo’s or the Resulting Issuer’s future efforts to maintain and obtain licenses in Minnesota and elsewhere is unknown but Vireo’s licenses were renewed in Minnesota and New York later in 2017, and Vireo was issued new licenses in Maryland, Ohio and Pennsylvania following the charges.

MaryMed

On August 15, 2016, Vireo’s subsidiary, MaryMed, was one of only seven companies selected by the Natalie M. LaPrade to receive both a grower and processor pre-approval licenses. In late 2016, Vireo transferred ownership of its subsidiary, MaryMed, to a separate entity, Dorchester Capital, in an effort to distance it from MinnMed in terms of its corporate ownership while MaryMed continued to seek final approval from the Maryland Medical Cannabis Commission (“**MMCC**”). In 2017, the MMCC denied MaryMed its medical cannabis licenses. MaryMed challenged the purported denial of its medical cannabis licenses in Maryland via an administrative process. A hearing was held on March 7 and March 8, 2018. During this hearing, the Administrative Law Judge (“**ALJ**”) heard testimony and received evidence from representatives of both MaryMed and the MMCC.

In early May, the ALJ issued factual findings largely consistent with MaryMed’s arguments in favor of granting the licenses and the MMCC ultimately decided to reinstate MaryMed’s applications. Vireo repurchased MaryMed in October 2018 from Dorchester Capital and was granted grower and processor licenses in November 2018.

Brightstar

In June 2017, BrightStar Biomedics, LLC (“BrightStar”), which was an unsuccessful competing candidate for the Pennsylvania license awarded to Vireo’s subsidiary, PAMS, filed an administrative appeal against the PA DOH. While the appeal nominally was from the denial of BrightStar’s application for a grower/processor permit, the essence of this appeal was BrightStar’s contention that the PA DOH erred in its scoring of the application of PAMS, based on the assertions that PAMS’s application did not fully and accurately disclose the issues related to the Wright County criminal matter referred to above and the status of the permit/license of MaryMed. BrightStar argued that had the PAMS application fully disclosed information about the criminal charges and MaryMed’s permit/license status that BrightStar would have outscored PAMS and been awarded one of the two Region 2 permits. In its answer and other filings, PA DOH argued that the scope of the BrightStar appeal was limited to a review of the scoring of its own application and could not involve a “collateral” challenge to the scoring of a competitor’s application like PAMS.

On October 23, 2017, BrightStar filed a Formal Complaint against PAMS before the PA DOH (this is an administrative complaint). The complaint was served in early December 2017 and PAMS filed its answer on January 5, 2018. At the same time, PAMS filed a motion to dismiss the complaint or, in the alternative, to consolidate with the BrightStar appeal proceeding described above. BrightStar responded by filing a response to the New Matter and a brief in opposition to the motion to dismiss. PAMS filed a brief on the motion to dismiss on January 29, 2018. The essence of BrightStar’s complaint against PAMS was the same as that identified in

its administrative appeal above. BrightStar was seeking the recalculation of PAMS's application score and an order that it be granted the Region 2 permit should the recalculation place it as the second highest Region 2 applicant ahead of PAMS. During the early pleading stages, the relationship between BrightStar and its counsel appears to have broken down, and the proceedings stalled with no resolution

Notwithstanding the complaints by BrightStar, Vireo moved forward with its plans to begin operations in Pennsylvania. It began planting and growing operations at its production facility in Scranton and commenced the sale of products in October 2018.

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.

Dorchester

Shortly after the MaryMed Transaction, Dorchester Capital received a letter with a formal request for disclosure of documents from a member of Dorchester Capital relating to the MaryMed Transaction, requesting documents to evaluate the value of Dorchester Capital's equity interests at the time Vireo and Dorchester Capital entered into the agreement of sale, the status of the business and financial condition of Dorchester Capital, the performance of Dorchester Capital's management and the propriety of the transaction between Vireo and Dorchester Capital. In response to the letter, Dorchester Capital has appointed an independent special litigation committee to evaluate the matters raised in the letter. While Vireo believes that the transaction with Dorchester Capital was on market terms and reasonable in the circumstances, it is not clear at this time whether the letter and the response thereto will lead to a claim being filed in a court of law and as a result, Vireo cannot currently reasonably assess the outcome or potential impact on Vireo of any such claim. Should the special litigation committee process, or any resultant litigation in which Vireo becomes involved, be determined negatively for Vireo, such a decision could adversely affect Vireo's and the Resulting Issuer's financial results and the market price for the Subordinate Voting Shares and could divert significant management and financial resources, even if Vireo ultimately prevails.

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. 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

Other than as disclosed herein, 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 MNP LLP, Chartered Professional Accountants.

Upon completion of the Business Combination, the auditor of the Resulting Issuer is expected to be Davidson and Company.

21.2 Transfer Agent and Registrar

The transfer agent and registrar of the Corporation's common shares is Computershare Investor Services Inc. at its offices 510 Burrard Street Vancouver BC, V6C 3B9, and the transfer agent and registrar of the Resulting Issuer's subordinate voting shares will be Odyssey Trust Company.

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) the Coattail Agreement

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 and Company is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia. Davidson and Company is independent of Vireo in accordance with the applicable rules of professional conduct.

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 Vireo

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, Vireo Health International, 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 Vireo Health International, 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 19th day of March, 2019.

(signed) "*Kyle Kingsley*"

Kyle Kingsley
Chief Executive Officer,
Director and Promoter

(signed) "*Amber Shimpa*"

Amber Shimpa
Chief Financial Officer and Director

(signed) "*Aaron Hoffnung*"

Aaron Hoffnung
Director and Chief Operating Officer

SCHEDULE "A"
FINANCIAL STATEMENTS OF DARIEN BUSINESS DEVELOPMENT CORP.

(See attached)

DARIEN BUSINESS DEVELOPMENT CORP.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
December 31, 2017 and 2016

Independent Auditors' Report

To the Shareholders of Darien Business Development Corp. (formerly Dynamic Oil & Gas Exploration Inc.):

We have audited the accompanying financial statements of Darien Business Development Corp., which comprise the statement of financial position as at December 31, 2017 and 2016, and the statements of operations and comprehensive loss, changes in 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Darien Business Development Corp. as at December 31, 2017 and 2016 and their financial performance and their 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 of those financial statements, which states that Darien Business Development Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Darien Business Development Corp. to continue as a going concern.

Vancouver, British Columbia
April 27, 2018


Chartered Professional Accountants

DARIEN BUSINESS DEVELOPMENT CORP.
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Notes	December 31, 2017 \$	December 31, 2016 \$
ASSETS			
Current assets			
Cash		286,868	2,856
GST recoverable		14,281	9,141
Prepaid expenses		-	1,000
		301,149	12,997
Equipment	5	1,888	2,364
Total assets		303,037	15,361
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,10	23,160	78,212
Advances payable	7	-	148,800
Total liabilities		23,160	227,012
EQUITY (DEFICIT)			
Share capital	8	15,007,851	14,410,726
Contributed surplus		1,236,455	1,236,455
Deficit		(15,964,429)	(15,858,832)
Total Equity (deficit)		279,877	(211,651)
Total liabilities and equity (deficit)		303,037	15,361

Organization and nature of operations and going concern (Note 1)

Approved by the Board of Directors

“Gunther Roehlig” Director

“Rob McMorran” Director

The accompanying notes are an integral part of these financial statements

DARIEN BUSINESS DEVELOPMENT CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Notes	2017 \$	2016 \$
General and administrative expenses			
Accounting and audit	10	21,916	16,566
Amortization	5	476	602
Consulting fees	10	60,000	120,000
Filing and regulatory fees		16,698	14,377
Legal		3,098	2,052
Office and miscellaneous		3,409	8,030
Loss before other items		(105,597)	(161,627)
Gain on write-down of accounts payable	6	-	16,539
Foreign exchange gain		-	175
Loss and comprehensive loss for the year		(105,597)	(144,913)
Basic and diluted loss per share		(0.01)	(0.02)
Weighted average number of shares outstanding		7,376,363	6,455,815

The accompanying notes are an integral part of these financial statements

DARIEN BUSINESS DEVELOPMENT CORP.
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Number of shares ¹	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2015	6,455,815	14,410,726	1,236,455	(15,713,919)	(66,738)
Net and comprehensive loss for the year	-	-	-	(144,913)	(144,913)
Balance, December 31, 2016	6,455,815	14,410,726	1,236,455	(15,858,832)	(211,651)
Shares issued pursuant to private placement	6,000,000	600,000	-	-	600,000
Issue costs	-	(2,875)	-	-	(2,875)
Net and comprehensive loss for the year	-	-	-	(105,597)	(105,597)
Balance, December 31, 2017	12,455,815	15,007,851	1,236,455	(15,964,429)	279,877

¹ Post 10:1 share consolidation (Note 8)

DARIEN BUSINESS DEVELOPMENT CORP.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Loss for the year	(105,597)	(144,913)
Add non-cash items:		
Amortization	476	602
Gain on write-down of accounts payable	-	(16,539)
	(105,121)	(160,850)
Changes in non-cash working capital items		
GST recoverable	(5,140)	(6,127)
Prepaid expenses	1,000	(1,000)
Accounts payable and accrued liabilities	(55,052)	19,680
	(164,313)	(148,297)
Financing activities		
Issuance of shares	600,000	-
Issue costs	(2,875)	-
Advances received	21,000	148,800
Advances paid	(169,800)	-
	448,325	148,800
Increase in cash during the year	284,012	503
Cash – beginning of the year	2,856	2,353
Cash – end of the year	286,868	2,856

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

Darien Business Development Corp. (“Darien” or the “Company”) was incorporated under the Alberta Business Corporations Act on November 23, 2004. Effective March 14, 2017, the Company changed its name from Dynamic Oil & Gas Exploration Inc. to Darien Business Development Corp. and the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation. The Company’s main activities during the year ended December 31, 2017 were maintaining its public listing and pursuing potential business opportunities as they arise. The Company is listed on the TSX Venture Exchange’s NEX board under the trading symbol “DBD.H”. The Company’s head office is located at Suite 410, 1040 West Georgia Street, Vancouver, BC V6E 4H1.

These financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At December 31, 2017, the Company had accumulated losses of \$15,964,429 (2016 - \$15,858,832) since its inception and expects to incur further losses in the development of its business. For the year ended December 31, 2017 the Company experienced a loss of \$105,597 (2016 - \$144,913) and used \$105,121 (2016 - \$160,850) of cash in operations before non-cash working capital items. These factors indicate a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business.

While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that financing will be available on terms which are acceptable to the Company. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements were approved by the board of directors for use on April 27, 2018.

The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which may be measured at fair value.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Impairment of non-financial assets

Intangible assets with finite useful lives are tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGUs”). Recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration and accordingly, goodwill is assessed for impairment together with the assets and liabilities of the related segment.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are initially recognized at fair value less directly attributable transaction costs. After initial recognition these financial assets are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL and available-for-sale financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Earnings per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Foreign currencies

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity. For unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants using the residual method, allocating fair value first to the common shares and then share purchase warrants.

Share-based payments

The fair value of all stock options granted is recorded as a charge to the statement of operations and a credit to contributed surplus under the graded attribution method. The fair value of stock options which vest immediately is recorded at the date of grant. The fair value of options which vest in the future is recognized over the vesting period, as adjusted for the expected level of vesting of the options. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus.

Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

No new policies adopted during the current year have a material impact on the financial statements.

The following new standards have been issued but are not yet effective:

IFRS 9 Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income. The Company will be required to adopt IFRS 9 in the annual period beginning January 1, 2018. The Company does not expect the implementation to have a significant impact on the Company’s results of operations, financial position and disclosures.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on current available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments 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 results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. In the process of applying the Company’s accounting policies, management has made the following estimates, assumptions and judgments which have a significant effect on the amounts recognized in the financial statements:

Going concern – The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Factors considered by management are disclosed in Note 1.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office Equipment \$	Computer Equipment \$	Total \$
Asset cost			
Balance at December 31, 2017 and 2016	3,146	1,152	4,298
Accumulated amortization			
Balance at December 31, 2015	936	396	1,332
Amortization	404	198	602
Balance at December 31, 2016	1,340	594	1,934
Amortization	330	146	476
Balance at December 31, 2017	1,670	740	2,410
Carrying amounts			
At December 31, 2016	1,806	558	2,364
At December 31, 2017	1,476	412	1,888

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017 \$	December 31, 2016 \$
Trade payables	19,330	46,933
Amounts due to related parties (Note 10)	3,830	31,279
	23,160	78,212

During the year ended December 31, 2016 the Company recorded a gain of \$16,539 relating to the write-off of trade payables.

7. ADVANCES PAYABLE

During the year ended December 31, 2017, the Company repaid \$169,800 of advances payable including \$84,000 to a director of the Company. The amounts owing were unsecured, non-interest bearing and due on demand. As at December 31, 2017 the Company had advances payable of \$nil (2016 - \$148,800)

8. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
 Unlimited preferred shares issuable in series.

Effective March 14, 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

On November 7, 2017 the Company closed a non-brokered private placement issuing 6,000,000 units at \$0.10 per unit, for gross proceeds of \$600,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.15. The Company fair valued the warrants using the residual method and allocated a value a fair value of \$nil to the warrants.

b) Options:

The Company established a stock option plan in accordance with the policies of the TSX Venture Exchange under which it was authorized to grant share purchase options up to 10% of its outstanding shares. During the year ended December 31, 2014 the Company discontinued its stock option plan. Such discontinuance did not adversely affect the rights of any Optionee under the options granted pursuant to the stock option plan. The exercise price of options granted is greater than or equal to the market price of the Company's shares on the date of the grant. The options are for a maximum term of five years. All options vest on the date of grant, unless otherwise indicated.

A summary of the status of the Company's stock option plan as of December 31, 2017 and December 31, 2016 and the changes during the years then ended is presented below:

	Number of options	Weighted average exercise price \$
Balance outstanding – December 31, 2016	250,000	1.00
Cancelled	(250,000)	1.00
Balance outstanding – December 31, 2017	-	-

c) Warrants:

A summary of the status of the Company's share purchase warrants as at December 31, 2017 and 2016 and the changes for the years then ended is presented below:

	Number of warrants	Weighted average exercise price \$
Balance outstanding – December 31, 2016	-	-
Issued	6,000,000	0.15
Balance outstanding – December 31, 2017	6,000,000	0.15

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Details of the warrants outstanding as at December 31, 2017, is as follows:

Expiry date	Exercise price \$	Warrants #
November 7, 2018	0.15	6,000,000

9. INCOME TAXES

The following table reconciles the expected income tax expenses (recovery) at the Canadian statutory income tax rate to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2017 and 2016:

	2017	2016
Statutory tax rate	26.00%	26.00%
Loss for the year before income taxes	\$ (105,597)	\$ (144,913)
Expected income tax recovery	(27,455)	(37,677)
Non-deductible items	-	19
Change in deferred tax assets not recognized	27,455	37,658
Total income taxes expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at December 31, 2017 and 2016 are as follows:

	2017 \$	2016 \$
Non-capital loss carry forwards	2,533,813	2,425,789
Eligible capital property	781,858	781,858
Net capital losses carry forwards	3,429,940	3,429,940
Property and equipment	2,410	1,934
Financing costs	2,300	1,727
Total unrecognized deductible temporary differences	6,750,321	6,641,248

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of \$2,533,813 (2016 - \$2,425,789) which may be carried forward to apply against future year's income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	\$
2026	15,839
2027	60,938
2028	441,699
2029	229,075
2030	180,533
2031	488,693
2032	234,811
2033	243,293
2034	270,765
2035	114,180
2036	146,565
2037	107,422
Total	2,533,813

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of net capital loss carry-forwards of \$3,429,940 (2016 - \$3,429,940) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

10. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the years ended December 31, 2017 and 2016:

	2017	2016
	\$	\$
Accounting fees	13,436	8,541
Consulting fees	30,000	60,000
	43,436	68,541

Included in accounts payable and accrued liabilities as at December 31, 2017 is \$3,830 (2016 - \$31,279) due to current directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2017 the Company received \$16,000 (2016 - \$68,000) in advances payable from a director of the Company (Note 7) and repaid \$84,000 (2016 - \$nil) in advances payable to the same director.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the years ended December 31, 2017 and 2016 is identical to the table above.

11. FINANCIAL INSTRUMENTS

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investors.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSX Venture Exchange's NEX board.

During the year ended December 31, 2017, the Company made no changes to its strategy in managing capital.

Classification of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and advances payable. The Company designated its cash as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities and advances payable are classified as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with Bank of Montreal.

Interest Rate Risk

Interest rate risk is the risk that the 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 is limited because at present the Company's liabilities are non-interest bearing or have fixed interest rates.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. At December 31, 2017 the Company had a working capital surplus of \$277,989 compared to a working capital deficit of \$214,015 at December 31, 2016.

DARIEN BUSINESS DEVELOPMENT CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - expressed in Canadian Dollars)
For the Three and Nine Months ended September 30, 2018 and 2017

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

DARIEN BUSINESS DEVELOPMENT CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - expressed in Canadian Dollars)

	Notes	September 30, 2018 \$	December 31, 2017 \$
ASSETS			
Current assets			
Cash		194,927	286,868
Prepaid		15,000	-
GST recoverable		18,053	14,281
		<u>227,980</u>	<u>301,149</u>
Equipment	5	1,597	1,888
Total assets		<u>229,577</u>	<u>303,037</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,8	3,316	23,160
Total liabilities		<u>3,316</u>	<u>23,160</u>
EQUITY			
Share capital	7	15,007,851	15,007,851
Contributed surplus		1,236,455	1,236,455
Deficit		(16,018,045)	(15,964,429)
Total equity		<u>226,261</u>	<u>279,877</u>
Total liabilities and equity		<u>229,577</u>	<u>303,037</u>

Organization and nature of operations and going concern (Note 1)

Approved by the Board of Directors

"Gunther Roehlig" Director

"Rob McMorran" Director

DARIEN BUSINESS DEVELOPMENT CORP.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

	Notes	Three months ended		Nine months ended	
		September 30,		September 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
General and administrative expenses					
Accounting and audit	8	521	1,396	6,403	8,049
Amortization	5	91	115	291	367
Consulting fees		30,000	15,000	30,000	45,000
Filing and regulatory fees		1,984	1,240	9,521	8,985
Legal		142	66	6,982	2,167
Office and miscellaneous		38	535	419	9,228
Loss and comprehensive loss for the period		(32,776)	(18,352)	(53,616)	(73,796)
Basic and diluted loss per share		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of shares outstanding		12,455,815	6,455,815	12,455,815	6,455,815

DARIEN BUSINESS DEVELOPMENT CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2018 and 2017

(Unaudited - expressed in Canadian Dollars)

	Number of shares	Amount \$	Contributed Surplus \$	Deficit \$	Total \$
Balance, December 31, 2016	6,455,815	14,410,726	1,236,455	(15,858,832)	(211,651)
Net and comprehensive loss for the period	-	-	-	(73,796)	(73,796)
Balance, September 30, 2017	6,455,815	14,410,726	1,236,455	(15,932,628)	(285,447)
Shares issued during the period	6,000,000	600,000	-	-	600,000
Issue costs	-	(2,875)	-	-	(2,875)
Net and comprehensive loss for the period	-	-	-	(31,801)	(31,801)
Balance, December 31, 2017	12,455,815	15,007,851	1,236,455	(15,964,429)	279,877
Net and comprehensive loss for the period	-	-	-	(53,616)	(53,616)
Balance, September 30, 2018	12,455,815	15,007,851	1,236,455	(16,018,045)	226,261

DARIEN BUSINESS DEVELOPMENT CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

	2018	2017
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Loss for the period	(53,616)	(73,796)
Add non-cash item:		
Amortization	291	367
	(53,325)	(73,429)
Changes in non-cash working capital items		
GST recoverable	(3,772)	(3,772)
Prepaid	(15,000)	1,000
Accounts payable and accrued liabilities	(19,844)	52,812
	(91,941)	(23,389)
Financing activity		
Advances received	-	21,000
Change in cash during the period	(91,941)	(2,389)
Cash – beginning of the period	286,868	2,856
Cash – end of the period	194,927	467

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

Darien Business Development Corp. (“Darien” or the “Company”) was incorporated under the Alberta Business Corporations Act on November 23, 2004. Effective March 14, 2017, the Company changed its name from Dynamic Oil & Gas Exploration Inc. to Darien Business Development Corp. and the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation. The Company’s main activities during the nine months ended September 30, 2018 were maintaining its public listing and pursuing potential business opportunities as they arise. The Company is listed on the TSX Venture Exchange’s NEX board under the trading symbol “DBD.H”. The Company’s head office is located at Suite 410, 1040 West Georgia Street, Vancouver, BC V6E 4H1.

These condensed interim financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At September 30, 2018, the Company had accumulated losses of \$16,018,045 (2017 - \$15,964,429) since its inception and expects to incur further losses in the development of its business. For the nine months ended September 30, 2018 the Company experienced a loss of \$53,616 (2017 -73,796) and used \$53,325 (2017 - \$73,429) of cash in operations before non-cash working capital items. These factors indicate a material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business.

While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that financing will be available on terms which are acceptable to the Company. These condensed interim financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue its operations as a going concern.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by IASB.

The Company uses the same accounting policies and methods of computation as in consolidated financial statements for the year ended December 31, 2017. These condensed interim financial statements were approved by the board of directors for use on November 29, 2018.

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS

The following standard was adopted by the Company during the period:

IFRS 9 Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments (“IFRS 9”), which replaces IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income. The adoption of this standard did not have a material measurement or disclosure impact on the Company’s financial statements.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

For full details on the critical accounting estimates, judgements and assumptions affecting the Company, please refer to the Company’s annual financial statements and notes for the year ended December 31, 2017.

5. EQUIPMENT

	Office Equipment \$	Computer Equipment \$	Total \$
Asset cost			
Balance at December 31, 2017 and September 30, 2018	3,146	1,152	4,298
Accumulated amortization			
Balance at December 31, 2017	1,670	740	2,410
Amortization	207	84	291
Balance at September 30, 2018	1,877	824	2,701
Carrying amounts			
At December 31, 2017	1,476	412	1,888
At September 30, 2018	1,269	328	1,597

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
	\$	\$
Trade payables	3,316	19,330
Amounts due to related parties (Note 8)	-	3,830
	3,316	23,160

7. SHARE CAPITAL

- a) Authorized: Unlimited common shares without par value.
 Unlimited preferred shares issuable in series.

Effective March 14, 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All references to share and per share amounts in these condensed interim financial statements have been retroactively restated to reflect the share consolidation.

- b) Warrants:

A summary of the status of the Company's share purchase warrants as at September 30, 2018 and December 31, 2017 and the changes for the periods then ended is presented below:

	Number of warrants	Weighted average exercise price \$
Balance outstanding – December 31, 2016	-	-
Issued	6,000,000	0.15
Balance outstanding – December 31, 2017	6,000,000	0.15
Expired	(6,000,000)	0.15
Balance, September 30, 2018	-	-

DARIEN BUSINESS DEVELOPMENT CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2018 and 2017
(Unaudited - expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accounting fees	521	1,396	5,738	8,049
Consulting fees	15,000	7,500	15,000	22,500
	15,521	8,896	20,738	30,549

Included in accounts payable and accrued liabilities as at September 30, 2018 is \$nil (2017 - \$3,830) due to current directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

During the nine months ended September 30, 2017 the Company received \$16,000 in advances payable from a director of the Company. The amounts were non-interest bearing repaid during the year ended December 31, 2017.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the three and nine months ended September 30, 2018 and 2017 is identical to the table above.

SCHEDULE "B"
**CONSOLIDATED ANNUAL AND INTERIM FINANCIAL STATEMENTS OF VIREO AND ITS
OPERATING SUBSIDIARIES**

(See attached)

VIREO HEALTH, LLC
CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2017 and 2016

(Expressed in United States Dollars)

INDEPENDENT AUDITORS' REPORT

To the Members and Board of Directors of
Vireo Health, LLC

We have audited the accompanying consolidated financial statements of Vireo Health, LLC, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), 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 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 Vireo Health, LLC as 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.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

March 18, 2019



VIREO HEALTH, LLC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016
(Expressed in United States Dollars)

	<i>Note</i>	December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		\$ 2,595,965	\$ 2,093,876
Inventories	4	14,575,040	14,885,486
Biological Assets	5	2,815,030	1,015,463
Prepaid Expenses		624,010	175,385
		<u>20,610,045</u>	<u>18,170,210</u>
Non-Current Assets			
Property and equipment	6,8	14,805,788	9,857,174
Deposits		966,012	203,349
Deferred Loss on Sale Leaseback Transaction	6	35,441	-
Due from Related Party	14	146,893	455,962
		<u>15,954,134</u>	<u>10,516,485</u>
Total Assets		<u>\$ 36,564,179</u>	<u>\$ 28,686,695</u>
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities		\$ 1,516,300	\$ 479,639
Current Portion of Long-Term Debt	8	-	19,000
		<u>1,516,300</u>	<u>498,639</u>
Long-Term Liabilities			
Deferred Rent		113,242	72,868
Lease Obligations	8	6,431,129	-
Long-Term Debt	8	1,010,000	10,165
		<u>9,070,671</u>	<u>581,672</u>
Members' Equity			
Members' Capital	7	22,910,942	22,735,942
Members' Units Receivable		(1,780)	(1,780)
Retained earnings	7	4,584,346	5,370,861
		<u>27,493,508</u>	<u>28,105,023</u>
Total Liabilities and Members' Equity		<u>\$ 36,564,179</u>	<u>\$ 28,686,695</u>

Nature of operations (Note 1)

Commitments (Note 13)

Subsequent events (Note 15)

Approved on behalf of the Board of Managers and authorized for issuance on March 18, 2019:

"Kyle Kingsley"

Director

"Amber Shimpa"

Director

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

VIREO HEALTH, LLC.**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

For the Years Ended December 31, 2017 and 2016

(Expressed in United States Dollars)

	<i>Note</i>	Year Ended December 31, 2017	Year Ended December 31, 2016
REVENUE		\$ 10,867,064	\$ 4,259,645
Production Costs		(5,104,379)	(2,730,496)
Gross Profit Before Fair Value Adjustments		5,762,685	1,529,149
Realized Fair Value Amounts Included in Inventory Sold	4	(5,840,818)	(2,065,261)
Unrealized Fair Value Gain on Growth of Biological Assets	5	6,443,637	10,527,970
Gross Profit		\$ 6,365,504	\$ 9,991,858
EXPENSES			
Depreciation	6	213,356	234,169
Professional fees		1,013,006	909,466
Salaries and wages	14	\$ 3,019,105	\$ 2,008,131
Selling, general and administrative expenses		2,159,192	1,042,068
		\$ (6,404,659)	\$ (4,193,834)
OTHER INCOME (EXPENSE)			
Loss on Sale of Property and Equipment	6	(398)	-
Interest Expense – Debt		(381,960)	(2,201)
Interest Income		1,275	8,681
Other Expense		(10,451)	-
Total Other Income (Expense)		(391,534)	6,480
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		\$ (430,689)	\$ 5,804,504

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

VIREO HEALTH, LLC.
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2017 and 2016
(Expressed in United States Dollars)

	<i>Note</i>	Members' Capital		Members' Units Receivable	Retained Earnings (Deficit)	Total Members' Equity
		Number of Members' Units	Amount			
Balance, December 31, 2015		1,023,639	\$ 21,284,232	\$ (1,780)	\$ (433,643)	\$ 20,848,809
Class C Membership	7	16,473	1,451,710	-	-	1,451,710
Net Income		-	-	-	5,804,504	5,804,504
Balance, December 31, 2016		1,040,112	\$ 22,735,942	\$ (1,780)	\$ 5,370,861	\$ 28,105,023
Class C Membership	7	1,988	175,000	-	-	175,000
Distributions		-	-	-	(355,826)	(355,826)
Net Loss		-	-	-	(430,689)	(430,689)
Balance, December 31, 2017		1,042,100	\$ 22,910,942	\$ (1,780)	\$ 4,584,346	\$ 27,493,508

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

VIREO HEALTH, LLC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(Expressed in United States Dollars)

	<i>Note</i>	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash Flows from Operating Activities:			
Net income (loss)		\$ (430,689)	\$ 5,804,504
Item not affecting cash:			
Depreciation		750,864	598,944
Loss on Sale of Property and Equipment		398	-
Fair Value Adjustment on Sale of Inventory	5	5,840,818	2,065,261
Fair Value Adjustment on Growth of Biological Assets	4	(6,443,637)	(10,527,970)
Interest on lease obligations	8	229,362	-
Interest on long-term debt	8	151,500	2,201
Changes in non-cash working capital:			
Due from related party		309,069	(434,385)
Inventory and Biological Assets	4,5	(886,302)	(1,396,076)
Prepaid Expenses and deposits		(1,211,288)	(63,807)
Accounts Payable and Accrued Liabilities		1,036,661	(492,722)
Deferred Rent		40,374	67,682
Cash Flows Used in Operating Activities		\$ (612,870)	\$ (4,376,368)
Cash Flows from (used in) Investing Activities:			
Purchase of Property and Equipment	6	\$ (5,688,766)	\$ (2,483,378)
Proceeds on Sale of Property and Equipment	6	6,353,549	-
Cash Flows from (Used in) Investing Activities		\$ 664,783	\$ (2,483,378)
Cash Flows from Financing Activities:			
Proceeds from Debt	8	\$ 1,010,000	-
Payments on Debt	8	(29,165)	(18,114)
Interest paid	8	(349,833)	(2,201)
Issuance of Membership Units	7	175,000	1,451,710
Distributions to Member		(355,826)	-
Cash Flows from Financing Activities		\$ 450,176	\$ 1,431,395
Net Change in Cash		\$ 502,089	\$ (5,428,351)
Cash, Beginning of the Year		2,093,876	7,522,227
Cash, End of the Year		\$ 2,595,965	\$ 2,093,876
Supplemental disclosure with respect to cash flows:			
Transfer of biological assets to inventory		\$ 6,746,400	\$ 13,496,168
Cash paid for:			
Interest		\$ 349,833	\$ 2,201
Taxes		-	-

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

VIREO HEALTH, LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS

Vireo Health, LLC (the “Company”) headquarters is based out of Minneapolis, Minnesota and manages its wholly owned subsidiaries. The Company was organized on February 4, 2015 as a limited liability company with its registered office located at 207 South 9th St., Minneapolis, MN. Vireo Health, LLC operates medical cannabis cultivation, production, and dispensary facilities in Minnesota, New York, and Pennsylvania through its subsidiaries. On January 1, 2018 the Company was converted to a corporation under the laws of the state of Delaware.

While marijuana and CBD-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies “marijuana” as a Schedule I drug. Under U.S. 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 safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as “still a violation of federal law.” At the present time, the distinction between “medical marijuana” and “recreational marijuana” does not exist under U.S. federal law, if one is illegal, both are illegal.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements 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”).

Basis of measurement

These consolidated financial statements have been prepared in U.S. dollars on a historical cost basis except for cash and biological assets, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar. See “Basis of consolidation” for the functional currency of the Company’s subsidiaries.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	State, Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Vireo Health of New York, LLC	New York, USA	100%	USD	Cannabis cultivation and production
Minnesota Medical Solutions, LLC	Minnesota, USA	100%	USD	Cannabis cultivation and production
Pennsylvania Medical Solutions, LLC	Pennsylvania, USA	100%	USD	Cannabis cultivation and production
Ohio Medical Solutions, LLC	Delaware, USA	100%	USD	Cannabis cultivation and production
1776 Hemp, LLC	Delaware, USA	100%	USD	Hemp cultivation and production
Vireo Arkansas Health, LLC	Delaware, USA	100%	USD	Cannabis cultivation and production
Resurgent Pharmaceuticals, Inc.	Delaware, USA	100%	USD	Holding Company for Intellectual Property

2. BASIS OF PRESENTATION (cont'd)

Basis of consolidation (cont'd)

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss. Associated transaction costs are expensed when incurred.

Recently adopted accounting standards and interpretations issued but not yet adopted

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards (“IAS”) Board or International Financial Reporting Standards Interpretation Committee (“IFRIC”) that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. Management has determined this will not have a significant impact on the financial statements other than disclosure.
- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018. Management has determined this will not have a significant impact on the financial statements.
- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard.
- IFRS 23 *Uncertainty over Income Tax Treatments*: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

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.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimated fail rate and compare the inventory cost to estimated net realizable value.

Impairment of long-lived assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Corporation uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). The functional currency of the Company and its subsidiaries is included within Note 2.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

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 consolidated statements of financial position at fair value with changes in fair value recognized in profit or 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 profit or 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 shareholders' equity (deficiency). 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 shareholders' equity (deficiency) and recognized in profit or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (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 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 liabilities acquired or incurred principally for selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash at fair value through profit or loss. Due from related party is classified as loans and receivables. The Company's accounts payable and accrued liabilities, lease obligations, and long-term debt are classified as other financial liabilities. Refer to Note 10 for additional disclosures.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts.

Revenue from the sale of medical cannabis inventory is recognized when the Company has transferred the significant risks and rewards of ownership 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 reliably measured, it is probable that the economic benefits of the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Significant risks and rewards are generally considered to be transferred when the customer has accepted delivery of the product. Revenue is recognized at the fair value of consideration received or receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents included cash held at dispensaries and cash deposits in financial institutions. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits. As at December 31, 2017 and 2016, the Company held no cash equivalents.

Income taxes

The Company is organized as a limited liability company in the State of Minnesota, and has elected to be taxed as a partnership for U.S. federal and Minnesota state income tax reporting purposes. Accordingly, no provision for income taxes has been included in the accompanying financial statements since members report the earnings or loss of the Company on their respective individual income tax returns.

Leases

A lease is a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. Assets under finance leases are initially capitalized at the lower of the fair value or the estimated present value of the minimum lease payments and are depreciated over the assets' useful lives. The corresponding liability is recognized as a finance lease obligation. The interest element is allocated to reporting periods during the lease term to reflect the rate of interest on the remaining balance of the obligation. Operating lease assets are not capitalized, and payments are included in the statement of income and comprehensive income on a straight-line basis over the lease term.

Inventories

Inventories of harvested finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow moving goods and any such inventory is written-down to net realizable value.

Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' on the P&L in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the statement of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Greenhouse	Straight-line	7-39 years
Capital Lease	Straight-line	15 years
Equipment	Straight-line	10 years
Dispensaries	Straight-line	15 years
Software	Straight-line	3 years
Furniture and fixtures	Straight-line	7 years
Vehicles	Straight-line	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from 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 profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate. Assets under capital lease are depreciated according to their asset category. Assets classified as construction-in-process are transferred to the appropriate asset class when available for use and depreciation of the asset commences at that point.

Deferred rent

Rent expense is recorded on a straight-line basis over the term of the rental period. Differences in the rent expense and rental payments are recognized in deferred rent.

Members' equity

Units are classified as members' equity. Incremental costs directly attributable to the issue of units and other equity instruments are recognized as a deduction from members' equity (deficiency). Units issued for consideration, other than cash, are valued based on their market value at the date the units are issued.

4. INVENTORIES

Inventory is comprised of:

	2017	2016
Work in process – harvested cannabis bud and trim	\$ 7,804,100	\$ 7,724,910
Work in process – cannabis oil	4,267,300	5,642,420
Finished goods – cannabis	2,473,470	1,518,156
Accessories	30,170	-
	\$ 14,575,040	\$ 14,885,486

Cost of inventory is recognized as an expense and included in cost of goods sold. Included in costs of goods sold for the year ended December 31, 2017, is \$5,840,818 (2016 - \$2,065,261) from changes in the fair value of biological assets.

5. BIOLOGICAL ASSETS

Biological assets are comprised of:

	Capitalized Costs	Fair Value Adjustment	Balance
Balance, December 31, 2015	\$ 320,105	\$ 2,144,253	\$ 2,464,358
Fair value adjustment on growth of biological assets	-	10,527,970	10,527,970
Production costs capitalized	1,519,303	-	1,519,303
Transferred to inventory upon harvest	(1,709,242)	(11,786,926)	(13,496,168)
Balance, December 31, 2016	130,166	885,297	1,015,463
Fair value adjustment on growth of biological assets	-	6,443,637	6,443,637
Production costs capitalized	2,102,330	-	2,102,330
Transferred to inventory upon harvest	(1,752,723)	(4,993,677)	(6,746,400)
Balance, December 31, 2017	\$ 479,773	\$ 2,335,257	\$ 2,815,030

As at December 31, 2017, the carrying value of biological assets consisted entirely of live cannabis plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram less any additional costs to be incurred to transform the yield into a sellable product. Percentage of cost completion is applied to biological assets growing as of the measurement date.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the annual historical selling price for flower yield in all finished goods sold by the Company, which is expected to approximate future selling prices
- Percentage of completion – represents the percentage of total expected costs incurred from growing biological assets as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- Wastage – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to lab extraction and packaging

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets.

	December 31, 2017	December 31, 2016	2017 Effect of a 10% change	2016 Effect of a 10% change
Selling price	\$ 16.60	\$ 16.40	\$ 508,000	\$ 175,000
Percentage of completion	51%	48%	\$ 282,000	\$ 102,000
Yield by plant (grams)	253	190	\$ 282,000	\$ 102,000
Wastage	5%	6%	\$ 15,000	\$ 6,000
Post-harvest costs	\$ 5.78	\$ 7.43	\$ 226,000	\$ 73,000

Biological assets were on average at a more advanced stage of growth as at December 31, 2017 (51% complete) compared to December 31, 2016 (48% complete). As a plant matures the likelihood of wastage declines. As a result, wastage estimates were lower in 2017.

The Company accretes fair value on a percentage of completion. As a result, a cannabis plant that is 50% through its estimated total growth would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

VIRO HEALTH, LLC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2017 and 2016

(Expressed in United States Dollars)

6. PROPERTY AND EQUIPMENT

	Greenhouse	Land	Capital Lease (Note 8)	Equipment	Dispensaries	Software	Furniture & Fixtures	Vehicles	Construction in Progress	Total
<u>Gross carrying amount</u>										
Balance December 31, 2015	\$ 4,561,109	\$ 303,230	\$ -	\$ 1,630,955	\$ 1,531,086	\$ 96,554	\$ 84,482	\$ -	\$ -	\$ 8,207,416
Additions	1,388,383	-	-	92,440	965,378	9,414	27,763	-	-	2,483,378
Balance December 31, 2016	5,949,492	303,230	-	1,723,395	2,496,464	105,968	112,245	-	-	10,690,794
Additions	120,844	380,000	6,400,100	213,134	16,587	-	555	77,567	4,880,079	12,088,866
Disposals	(6,070,336)	(683,230)	-	(225,000)	-	-	-	-	-	(6,978,566)
Balance December 31, 2017	\$ -	\$ -	\$ 6,400,100	\$ 1,711,529	\$ 2,513,051	\$ 105,968	\$ 112,800	\$ 77,567	\$ 4,880,079	\$ 15,801,094
<u>Depreciation</u>										
Balance December 31, 2015	\$ 120,794	\$ -	\$ -	\$ 61,908	\$ 33,863	\$ 14,532	\$ 3,579	\$ -	\$ -	\$ 234,676
Additions	191,728	-	-	231,676	126,486	33,982	15,072	-	-	598,944
Balance December 31, 2016	312,522	-	-	293,584	160,349	48,514	18,651	-	-	833,620
Additions	231,656	-	90,001	198,654	167,481	33,270	16,110	13,692	-	750,864
Disposals	(544,178)	-	-	(45,000)	-	-	-	-	-	(589,178)
Balance December 31, 2017	\$ -	\$ -	\$ 90,001	\$ 447,238	\$ 327,830	\$ 81,784	\$ 34,761	\$ 13,692	\$ -	\$ 995,306
<u>Carrying Amount</u>										
December 31, 2016	\$ 5,636,970	\$ 303,230	\$ -	\$ 1,429,811	\$ 2,336,115	\$ 57,454	\$ 93,594	\$ -	\$ -	\$ 9,857,174
December 31, 2017	\$ -	\$ -	\$ 6,310,099	\$ 1,264,291	\$ 2,185,221	\$ 24,184	\$ 78,039	\$ 63,875	\$ 4,880,079	\$ 14,805,788

During the year ended December 31, 2017, the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment (the "Cultivation Facilities") with a net book value of \$6,389,388 for gross proceeds of \$6,400,100. The Company paid a total of \$46,551 in transaction fees for total net proceeds of \$6,353,549. The Company incurred a loss of \$35,839 on the sale and leaseback transaction which is deferred and amortized over the term of the lease. During the year ended December 31, 2017, \$398 of the loss was recognized.

Details of the lease agreement are disclosed in Note 8.

During the year ended December 31, 2017 \$213,356 (2016 – \$234,169) in depreciation was included in profit in loss and \$537,508 (2016 - \$364,775) was capitalized with respect to biological assets (Note 5).

VIREO HEALTH, LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Expressed in United States Dollars)

7. MEMBERS' EQUITY

Under the terms of the Company's Amended and Restated Member Control and Operating Agreement dated November 16, 2015 ("Operating Agreement"), the Company is authorized to issue 400,000 Class A membership units, 400,000 Class B membership units, 610,000 Class C membership units, and 268,778 employee units.

Each Class A unit and Class C unit is entitled to one vote; each Class B unit is entitled to five votes. Class A and Class C units have first priority for distributions over Class B units. Class B units are limited to the founding members of the Company and are set at a purchase price par value of \$0.01 per unit. Additional Class B units can be issued to the founders and advisors to the Company, for other services the Board unanimously determines is appropriate, or under certain other scenarios as outlined in the Operating Agreement. These shares are given to founders in recognition of efforts for which they are not compensated prior to the Company receiving a license and having the ability to commence operations, including financial compensation of individuals.

Under the Operating Agreement, the Board has the sole discretion regarding the amounts and timing of distributions to members. The Board will only make distributions out of excess cash (as defined in the Operating Agreement) and will not make any distributions to the extent such distribution would not be prohibited under any credit facility to which the Company or any Subsidiary is a party under the Minnesota Limited Liability Company Act.

So long as the Company is treated as a partnership for federal income tax purposes, the Board, acting in good faith and at the Board's discretion, will cause Vireo Health, LLC to distribute an aggregate amount of cash each quarter which equals the product of (x) the aggregate amount of all taxable income allocable to the Members in respect of such quarter, as estimated by the Board in good faith, multiplied by (y) the assumed tax rate (taking into account the character of the underlying income). These tax distributions will be distributed among the members on a pro rata basis in accordance with each member's share of the Company's taxable income. The board of directors determined no distributions were to be made in 2018 for 2017 taxes.

The Board may, but is not required to, make additional distributions out of excess cash. Any such distributions will be in the following order and priority:

First, to the Class A members (ratably among such members based upon the aggregate unreturned capital of each immediately prior to such distribution), until the aggregate unreturned capital with respect to each such Class A member has been reduced to zero;

Second, to the Class C members (ratably among such members based upon the aggregate unreturned capital of each immediately prior to such distribution), until the aggregate unreturned capital with respect to each such Class C member has been reduced to zero; and

Third, to the Class B members (ratably among such members based upon the aggregate unreturned capital of each immediately prior to such distribution), until the aggregate unreturned capital with respect to each such Class B member has been reduced to zero; and

Fourth, to the holders of all common units and employee units, pro rata, but only to the extent that total distributions under the Operating Agreement during the period that such employee units have been outstanding have equaled the distribution threshold for such employee units.

The Company has issued 361,000 Class A membership units with a par value of \$10.00 per membership unit for a total cash consideration of \$3,610,000, which was the balance as of December 31, 2017

The Company has issued total of 342,000 Class B membership units for \$0.01 per membership unit to members of the management team and individuals contributing to the application for the license to produce and distribute medical cannabis in the state of Minnesota as founders' membership units, 53,600 of which the Company subsequently redeemed and subsequently reissued at the same price, for a total purchase price of \$3,420, which was the balance as of December 31, 2017. \$1,780 (178,000 units) had not been received as of December 31, 2017 and this amount is presented in members' equity as a contra-equity account. The Company expects to collect the balance of funds by the end of 2018.

7. MEMBERS' EQUITY (cont'd)

The Company has issued 339,100 Class C membership units for total net proceeds of \$19,297,522, which was the balance as of December 31, 2017. The Company issued 16,473 and 1,988 Class C membership units for net proceeds of \$1,451,710 and \$175,000 for the years ended December 31, 2016 and 2017 respectively.

8. LOANS, LEASES AND NOTE PAYABLE

The details of the Company's loans, leases and notes payable are as follows:

Long-term debt

	2017	2016
Opening balance	\$ 29,165	\$ 47,279
Additions	1,010,000	-
Payments	(29,165)	(18,114)
Ending balance	\$ 1,010,000	\$ 29,165
Less: Current portion	-	(19,000)
Long-term debt	\$ 1,010,000	\$ 10,165

During the year ended December 31, 2015, the Company entered in a loan for total proceeds of \$56,000 that was secured by a vehicle. The loan bore interest at a rate of 5.49% per annum and required monthly payments. During the year ended December 31, 2017, the loan was fully repaid.

During the year ended December 31, 2017, the Company signed a promissory note payable in the amount of \$1,010,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis. The loan is repayable in full on December 31, 2019.

Lease obligations

	2017	2016
Opening balance	\$ -	\$ -
Additions	6,400,100	-
Interest	229,362	-
Interest payments	(198,333)	-
Ending balance	\$ 6,431,129	\$ -
Less: Current portion	-	-
Lease obligations	\$ 6,431,129	\$ -

8. LOANS, LEASES AND NOTE PAYABLE (cont'd)

Lease obligations (cont'd)

Future minimum lease payments (principal and interest) on the leases is as follows

	2017	2016
2018	\$ 1,267,350	\$ -
2019	1,311,708	-
2020	1,357,617	-
2021	1,405,133	-
2022	1,454,313	-
Thereafter	17,306,436	-
Minimum payments under lease	24,102,557	-
Effect of discounting	(17,671,428)	\$ -
Present value of minimum lease payments	6,431,129	-
Less: current portion	-	-
Lease obligation	6,431,129	-

During the year ended December 31, 2017, the Company entered into a sale and leaseback transaction for Cultivation Facilities (Note 6). As part of the transaction, the Company entered into two separate lease agreements for the Cultivation Facilities as follows:

- a) The lease agreement for a cultivation and manufacturing facility in Minnesota with a fair value of \$3,000,100 is for 15 years with two consecutive options of the Company to extend for an additional 5 years each. The annual interest rate on the lease is 21.78% and requires regular monthly payments of \$50,000 which increase by 3.5% each year. Principal repayments begin in 2022. The lease also provides for a tenant improvement (“TI”) allowance up to \$988,000. As at December 31, 2017, no TI reimbursements have been received.
- b) The lease agreement for cultivation and manufacturing facility in New York with a fair value of \$3,400,000 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.19% and requires regular monthly payments of \$55,000 which increase by 3.5% every year. Principal repayments begin in 2022. The lease also provides for a tenant improvement (TI) allowance up to \$1,000,000. As at December 31, 2017, no TI reimbursements have been received.

9. INCOME TAXES

The Company is classified as a Limited Liability Company (“LLC”). As such, losses generated from operations were passed through to the individual members. The Company converted to a C Corporation on January 1, 2018.

10. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of accounts payable and accrued liabilities, and due from related party approximate their respective fair values due to the short-term nature of these instruments, and the long-term loans and lease obligations approximated a market rate of interest.

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held on hand and with state banks (\$346,112 and \$1,429,339 cash on hand as of December 31, 2017 and 2016, respectively), from which management believes the risk of loss is remote. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Minnesota, New York, and Pennsylvania with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company's financial liabilities consist of accounts payable, accrued liabilities, debt, and lease liabilities. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. Historically, the Company's main source of funding has been additional funding from members, or the addition of new members. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

11. CAPITAL RISK MANAGEMENT

The Company defines capital as members' equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

12. SEGMENTED INFORMATION

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment is the manufacturing and sales of refined cannabis products, which has operations in Minnesota, New York, and Pennsylvania.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

Non-current non-financial assets based on geographical location is as follows:

	Minnesota		New York		Pennsylvania		Total
As at December 31, 2017							
Property, and equipment	\$	5,019,505	\$	4,819,235	\$	4,967,048	\$ 14,805,788
Deposits		324,845		132,663		508,504	966,012
	\$	5,344,350	\$	4,951,898	\$	5,475,552	\$ 15,771,800
As at December 31, 2016							
Property, and equipment	\$	4,981,918	\$	4,875,256	\$	-	\$ 9,857,174
Deposits		24,845		178,504		-	203,349
	\$	5,006,763	\$	5,053,760	\$	-	\$ 10,060,523

Operating results based on geographical location is as follows:

	Minnesota		New York		Pennsylvania		Total
Year ended December 31, 2017							
Revenue	\$	4,733,701	\$	6,133,363	\$	-	\$ 10,867,064
Year ended December 31, 2016							
Revenue	\$	2,217,470	\$	2,042,175	\$	-	\$ 4,259,645

13. COMMITMENTS

Lease commitments

- The Company entered into an agreement with a member of the Company to lease land for the Company's Minnesota cultivation and manufacturing activities. The lease term was amended on July 1, 2015 and had an initial term of 10 years expiring on December 31, 2024, with options to renew the lease upon expiration for three additional 10-year terms. The lease amendment required monthly lease payments of \$3,500. The Company was responsible for the property, taxes, insurance, and other operating expenses related to the property. In November 2017, the Company sold the cultivation and manufacturing facility and the land was purchased and included in the sale. See note 8 for additional information.
- The Company entered into an agreement to lease space in Minneapolis, MN to dispense medical cannabis. The lease commenced on July 1, 2015 and is for an original term of 60 months expiring on June 30, 2020, with an option to renew the lease upon expiration for two additional 36-month terms. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018	\$	117,690
2019		120,044
2020		60,616
Total minimum lease payments	\$	298,350

- The Company entered into an agreement to lease space in Rochester, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2018	\$	72,465
2019		75,525
2020		45,097
Total minimum lease payments	\$	193,087

- The Company entered into an agreement to lease space in Moorhead, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020, with an option to renew the lease for an additional five-year term upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018	\$	20,567
2019		20,979
2020		12,381
Total minimum lease payments	\$	53,927

13. COMMITMENTS (cont'd)

Lease commitments (cont'd)

- The Company entered into an agreement to lease space in Bloomington, MN to dispense medical cannabis. The lease commenced on July 1, 2016 and is for an original term of 60 months expiring on July 30, 2021, with an option to renew the lease for an additional five years upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018	\$	27,396
2019		28,474
2020		29,327
2021		14,755
Total minimum lease payments	\$	99,952

- The Company entered into an agreement to retail lease space in Queens, NY to dispense medical cannabis. The lease commenced on October 1, 2015 and is for an original term of 10 years expiring on September 30, 2025. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018	\$	352,723
2019		363,304
2020		374,204
2021		385,430
2022		396,993
Thereafter		1,153,003
Total minimum lease payments	\$	3,025,657

- The Company entered into a retail lease agreement to lease space Johnson City, NY to dispense medical cannabis. The lease commenced on June 1, 2015 for an original term of 60 months expiring on October 31, 2020. The Company has the option to extend the lease for two additional three-year terms. The years have to be exercised three months prior to completion of the initial term of the lease. The Company is responsible for its proportionate share of property taxes, insurance, and other operating expenses. The future minimum required lease payments are as follows:

2018	\$	32,000
2019		32,000
2020		13,333
Total minimum lease payments	\$	77,333

13. COMMITMENTS (cont'd)

Lease commitments (cont'd)

- The Company entered into a retail lease agreement in White Plains, NY to dispense medical cannabis. The lease commenced on November 1, 2015 and is for a term of 60 months expiring on October 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018	\$	118,092
2019		118,092
2020		98,410
Total minimum lease payments	\$	334,594

- The Company entered into a retail lease agreement for space in Albany, NY to dispense medical cannabis. The lease commenced on September 15, 2016 and is for an original term of 60 months expiring on September 14, 2021. Included in the lease contract are two options for a five-year renewal at agreed upon lease price thru 2031. The Company is responsible for the property taxes, insurance, other operating expenses related to the property, and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2018	\$	14,580
2019		14,580
2020		14,580
2021		10,328
Total minimum lease payments	\$	54,068

14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

Key management personnel compensation during the years ended December 31, 2017 and 2016 were as follows:

	2017		2016	
Salaries and wages	\$	600,385	\$	381,846
	\$	600,385	\$	381,846

As at December 31, 2017, \$146,893 (2016 - \$455,962) was due from related parties. These amounts are unsecured, non-interest bearing, and due on demand.

15. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2017:

- On January 1, 2018, the Company converted from a limited liability company to a C corporation. On conversion, the Company is authorized to issue 10,000,000 shares, including 7,500,000 common shares, and 2,500,000 preferred stock each of which will have a par value of \$0.0001 per share.

Preferred shares may be issued in several classes, including Series A, Series B, Series C and Series D. Further, preferred shares includes several subdivisions (C-1, C-2, C-3, C-4, C-5 and D-1, D-2). Series A Preferred shares rank senior to Series C and D Preferred shares until each Series A Preferred share has received payments in the amount equal to the Series A original issue price. Further, Series C and Series D Preferred shares are equal priority to each other and rank senior to Series B Preferred shares until each Series C and Series D Preferred share has received payments in the amount equal to the original issue price. Series B Preferred shares rank senior to the common shares until such time that each Series B Preferred share has received payments in the amount equal to the Series B original issue price.

On conversion, the Company had the following shares outstanding:

Series	Shares Issued	Share Capital
Series A Preferred Stock	361,000	\$3,590,044
Series B Preferred Stock	342,000	\$1,615
Series C Preferred Stock	339,116	\$19,391,849
Total	1,042,116	\$22,983,508

- On January 1, 2018, the Company adopted an equity incentive plan where the Company may grant incentive stock option, restricted shares, restricted share units, or other awards. Under the terms of the plan, a total of 1,000,000 common shares are reserved for issue. The exercise price for incentive stock options issued under the plan will be set by the committee, but will not be less 100% of the fair market value of the Company's shares on the date of grant. Incentive stock options have a maximum term of 10 years from the date of grant.
- The Company entered into a sale and leaseback transaction for a cultivation and manufacturing facility in Pennsylvania whereby the Company sold the facility for net proceeds of \$5,763,330. The lease agreement is for 15 years with two options to extend for an additional five years respectively. As at December 31, 2018, a total of \$4,880,079 was included in construction in progress related to this facility.
- The Company entered into a lease agreement for a cultivation and manufacturing facility in Pennsylvania (referenced above). The lease provides for tenant improvements (TI) allowance not to exceed \$2,836,670. The TI may be applied to certain costs that must be submitted to the landlord for approval. Upon approval, the landlord will reimburse for the approved TI. The Company has until April 6, 2031, to request disbursement for the final installment of the TI allowance.
- The Company received a total of \$3,736,224 for tenant improvements as per the terms of its lease agreements for its cultivation and manufacturing facilities in New York, Minnesota, (Note 8) and Pennsylvania (above).
- The Company signed a first amendment to the existing lease agreements for the cultivation and manufacturing facilities in Minnesota, New York and Pennsylvania. Under the terms of the amendments, the term of loans were extended to December 7, 2033, for tenant improvements per the terms through December 7, 2033 and provides for additional tenant improvements of up to \$5,000,000 dollars.
- The Company created and issued 383,300 Series D Preferred shares for gross proceeds of \$17,248,830. In connection with the financing, the Company incurred share issuance costs of \$1,286,329. Series D Preferred shares are each entitled to a vote, and have similar rights as Series C Preferred shares. In connection with the issuance, the Company granted 17,602 compensation warrants and 9,800 advisory warrants, which are exercisable into Series D-1 preferred shares of the Company at a price of \$45 for a period of 24 months.

VIREO HEALTH, LLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Expressed in United States Dollars)

15. SUBSEQUENT EVENTS (cont'd)

- The Company received a \$1,000,000 term loan from Dorchester Capital, LLC. The loan bears interest of 15% and matures on January 31, 2021. The loan was subsequently repaid and settled in August 2018.
- The Company loaned a total of \$1,500,000 to MaryMed, LLC ("MaryMed"), a related party. The loan bears interest at a rate of 15% per annum and is due in full on or before January 31, 2021. The loan was subsequently repaid and settled in August 2018.
- The Company entered into a Membership Purchase Agreement to acquire all of the issued and outstanding membership units of a Maryland related to Vireo, which has applied for a cannabis cultivation, manufacturing and dispensary license in Maryland. As consideration for the membership units, the Company granted 72,338 series C-4 preferred stock and 8,400 series C-5 preferred stock with an assigned value of \$3,600,000.
- The Company signed a Stock Investment and Redemption Agreement ("SIRA") to acquire all of the issued and outstanding common stock of a Rhode Island company which has applied for registration to participate in the cultivation, production and sale of medical marijuana in Rhode Island. Under the terms of the SIRA, the Company would pay \$300,000 in cash and \$700,000 in convertible debt instruments. The transaction has received regulatory approval by the State of Rhode Island. In connection with the SIRA, the Company paid a \$50,000 non-refundable deposit. The SIRA was closed effective January 2, 2019.
- The Company signed Membership Interest Purchase Agreements ("MIPAs") to acquire all of the issued and outstanding member equity of two limited liability corporations in Nevada, which are involved in the cultivation, production, and sale of medical marijuana in Caliente, Nevada and which have applied for registration to participate in the cultivation, production and sale of recreational marijuana in Caliente, Nevada. Under the terms of the MIPAs, the Company would pay a total of \$1,500,000 in cash and \$2,500,000 in convertible debt instruments. The transaction is subject to regulatory approval by the state Nevada. In connection with the MIPAs, the Company paid non-refundable deposits totaling \$550,000.
- The Company signed an Amended and Restated Membership Interest and Stock Purchase Agreement ("MISPA") to acquire all of the issued and outstanding member equity two limited liability corporations and two companies, which are involved in the cultivation, manufacturing, and distribution of medical marijuana in Arizona. Under the terms of the MISPA, the Company would pay \$10,000,000 in cash and \$5,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Arizona department of Health and Safety. In connection with the MISPA, the Company paid non-refundable deposits totaling \$650,000.

The initial accounting for the business acquisition was incomplete at the time the financial statements were authorized for issue; therefore, certain disclosures cannot be determined at this time. This includes amounts to be recognized as of the acquisition date for the fair value of the assets acquired and liabilities assumed including any intangible assets that may arise from the transaction. The Company expects the preliminary purchase price allocation will include cash, receivables, biological assets, inventory, property and equipment, intangible assets, and accounts payable and accrued liabilities.

- The Company signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of a Puerto Rico company, which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, the Company would pay \$900,000 in cash and \$900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico. In connection with the SPA, the Company paid a \$25,000 non-refundable deposit.

15. SUBSEQUENT EVENTS (cont'd)

- The Company signed a LOI to acquire all of the issued and outstanding equity interests of a Massachusetts based company for the right to acquire certain real property and the exclusive right to manage the operations of the company, which is preparing to be engaged in the business of medical and recreational (i.e. adult use) marijuana cultivation, production and sale in Massachusetts. Under the terms of the LOI, the Company would pay \$1,000,000 in cash and \$9,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Department of Public Health and the Cannabis Control Commission. In connection with the LOI, the Company paid a \$50,000 non-refundable deposit.
- The Company signed a LOI to acquire certain assets including the right to manage the operations of a nonprofit corporation engaged in the business of medical marijuana cultivation, production, and dispensary operations in New Mexico. Under the terms of the LOI, the Company would pay \$2,000,000 (plus certain expenses related to a new cultivation facility) in cash and \$2,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by all applicable regulatory authorities. In connection with the LOI, the Company paid non-refundable deposits totaling \$250,000
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in Santa Ana, CA. Under the terms of the LOI, the Company would pay \$15,300,000 in cash and \$4,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion from a nonprofit corporation to a for-profit limited liability company and regulatory approval by all applicable regulatory authorities.
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in San Francisco, CA. Under the terms of the LOI, the Company would pay \$23,300,000 in cash and \$5,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion of the nonprofit corporation to a for-profit company and regulatory approval by all applicable regulatory authorities.
- The Company signed a Membership Interest Purchase Agreement ("MIPA"), with a company controlled by a related party, whereby it acquired all of the issued and outstanding membership interests in the company, which conducts hemp research in Minnesota. In connection with the MIPA, the Company issued \$50,000 in convertible debt instruments.
- Effective January 1, 2018, the Company granted a total of 222,100 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$5.79 per share until January 1, 2028.
- Effective May 1, 2018, the Company granted a total of 323,300 incentive stock options to certain employees and consultants. 150,000 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2028. The remaining 173,300 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2023.
- Effective October 1, 2018, the Company granted a total of 40,000 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until October 1, 2028.
- Effective November 15, 2018, the Company granted a total of 2,500 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until November 5, 2028.

15. SUBSEQUENT EVENTS (cont'd)

- Effective December 21, 2018, the Company granted a total of 152,500 incentive stock options to certain employees. The options are exercisable into common shares at a price of \$10.00 per share until December 21, 2028.
- On January 29, 2019, Ohio Medical Solutions, Inc. acquired a commercial property in Akron, Ohio for \$550,000 in cash.
- On February 27, 2019 the Company entered into a sale and leaseback transaction for a manufacturing facility in Ohio whereby the Company plans to sell the facility for \$600,000. The lease agreement is for 15 years with two options to extend for an additional five years respectively.
- On February 13, 2019, the Company entered into a Business Combination Agreement with Darien Business Development Corp. (“Darien”), whereby the Company agreed to complete a reverse take-over transaction whereby Darien would acquire the Company and the shareholders of the Company would become the controlling shareholders of Darien (the “Transaction”). Completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of a financing. There can be no assurance that the Transaction will be completed as proposed or at all.

In connection with the Business Combination Agreement, Vireo is completing a brokered and non-brokered private placement of Subscription Receipts at a price of \$4.25 per Subscription Receipt for gross proceeds of approximately \$51 million. Each Subscription Receipt will be automatically exchanged for one common share immediately prior to and in connection with the completion of the Business Combination without payment of additional consideration or further action on the part of the holder. In connection with the brokered and non-brokered offerings, the Company is paying aggregate cash fee to the Agents equal to \$3,241,738 and the Agents will be granted an aggregate of 763,111 compensation warrants. Following the closing of the business combination, each compensation warrant is exercisable for one Subordinate Voting Share at \$4.25 per share for a period of 24 months following the effective date of the Business Combination.

VIREO HEALTH, INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Months Ended
September 30, 2018 and 2017

(Expressed in United States Dollars)

VIREO HEALTH, INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

September 30, 2018 and December 31, 2017

(Expressed in United States Dollars)

	<i>Note</i>	September 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash		\$ 15,212,164	\$ 2,595,965
Receivables		1,255,691	-
Inventories	5	18,962,944	14,575,040
Biological Assets	6	4,303,082	2,815,030
Prepaid Expenses		424,648	624,010
		<u>\$ 40,158,529</u>	<u>\$ 20,610,045</u>
Non-Current Assets			
Property and Equipment	7	\$ 19,011,671	\$ 14,805,788
Deposits		1,832,842	966,012
Deferred Loss on Sale Leaseback		94,697	35,441
Due from Related Party	15	1,687,316	146,893
		<u>\$ 22,626,526</u>	<u>\$ 15,954,134</u>
Total Assets		<u>\$ 62,785,055</u>	<u>\$ 36,564,179</u>
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities		\$ 1,484,454	\$ 1,516,300
Deferred Lease Inducement - Current Portion	9	249,082	-
Income Tax Payable	10	62,000	-
		<u>\$ 1,795,536</u>	<u>\$ 1,516,300</u>
Long-Term Liabilities			
Deferred Rent		\$ 130,929	\$ 113,242
Deferred Income Taxes	10	5,845,000	-
Deferred Lease Inducement Long-Term Portion	9	3,300,331	-
Capital Lease Obligations	9	12,221,417	6,431,129
Long-Term Debt	9	1,010,000	1,010,000
		<u>\$ 24,303,213</u>	<u>\$ 9,070,671</u>
Shareholders' Equity			
Share Capital	8	\$ 38,219,342	\$ -
Reserves	8	2,157,232	-
Members' Capital	8	-	22,909,162
Retained Earnings		(1,894,732)	4,584,346
		<u>\$ 38,481,842</u>	<u>\$ 27,493,508</u>
Total Liabilities and Equity		<u>\$ 62,785,055</u>	<u>\$ 36,564,179</u>
Nature of operations (Note 1)			
Commitments (Note 14)			
Subsequent events (Note 17)			

Approved on behalf of the Board of Directors and authorized for issuance on March 18, 2019:

"Kyle Kingsley"

Director

"Amber Shimpa"

Director

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

VIRO HEALTH, INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)**

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

	<i>Note</i>	Nine Month Period Ended September 30, 2018	Nine Month Period Ended September 30, 2017
REVENUE		\$ 12,831,828	\$ 7,594,248
Production Costs		(5,648,828)	(2,753,719)
Gross Profit Before Fair Value Adjustments		\$ 7,183,000	\$ 4,840,529
Realized Fair Value Amounts Included in Inventory Sold	5	(9,513,880)	(3,672,210)
Unrealized Fair Value Gain on Growth of Biological Assets	6	13,749,920	4,015,155
Gross Profit		\$ 11,419,040	\$ 5,183,474
EXPENSES			
Depreciation	7	\$ 380,076	\$ 275,903
Professional fees		1,236,802	746,903
Salaries and wages		3,220,029	2,825,200
Selling, general and administrative expenses		2,223,114	1,856,429
Share Based Compensation	8	1,499,837	-
		\$ 8,559,858	\$ 5,704,435
OTHER INCOME (EXPENSE)			
Loss on Sale of Property and Equipment	7	\$ (21,361)	\$ -
Interest Expense - Debt		(1,267,749)	(114,577)
Interest Income		319	1,267
Other Expense		4,877	(69,118)
Total Other Income (Expense)		\$ (1,283,914)	\$ (182,428)
INCOME/(LOSS) BEFORE INCOME TAXES		\$ 1,575,268	\$ (703,389)
PROVISION FOR INCOME TAXES	10	\$ (3,470,000)	\$ -
NET LOSS		\$ (1,894,732)	\$ (703,389)

Weighted Average Shares Outstanding - basic and diluted 1,125,151 N/A

Net Loss Per Share - basic and diluted \$ (1.68) N/A

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

VIREO HEALTH, INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)(CONTINUED)**

For the Three Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

	<i>Note</i>	Three Month Period Ended September 30, 2018	Three Month Period Ended September 30, 2017
REVENUE		\$ 4,924,238	\$ 3,082,861
Production Costs		(1,985,709)	(867,345)
Gross Profit Before Fair Value Adjustments		\$ 2,938,529	\$ 2,215,516
Realized Fair Value Amounts Included in Inventory Sold	5	(3,278,037)	(1,552,712)
Unrealized Fair Value Gain on Growth of Biological Assets	6	5,398,128	2,034,656
Gross Profit		\$ 5,058,620	\$ 2,697,460
EXPENSES			
Depreciation	7	\$ 123,874	\$ 91,969
Professional fees		682,628	189,344
Salaries and wages		1,276,951	1,141,387
Selling, general and administrative expenses		795,500	484,904
Share Based Compensation	8	87,996	-
		\$ 2,966,949	\$ 1,907,604
OTHER INCOME (EXPENSE)			
Loss on Sale of Property and Equipment	7	\$ (1,650)	\$ -
Interest Expense - Debt		(525,732)	(38,128)
Interest Income		319	7
Other Expense		282	(60,899)
Total Other Income (Expense)		\$ (526,781)	\$ (99,020)
INCOME BEFORE INCOME TAXES		\$ 1,564,890	\$ 690,836
PROVISION FOR INCOME TAXES	10	\$ (1,550,000)	\$ -
NET INCOME		\$ 14,890	\$ 690,836

Weighted Average Shares Outstanding - basic and diluted	1,412,369	N/A
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Net Earnings Per Share - basic and diluted	\$ 0.01	N/A
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VIREO HEALTH, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

	<i>Note</i>	Members' Capital		Preferred Stock		Reserves	Retained Earnings (Deficit)	Total Members' Equity
		Number of Members' Units	Amount	Number of Shares	Amount			
Balance, December 31, 2016		1,040,112	\$ 22,734,162	-	\$ -	-	\$ 5,370,861	\$ 28,105,023
Class C Membership Distributions	8	1,988	175,000	-	-	-	-	175,000
Net Loss		-	-	-	-	-	(355,826)	(355,826)
Balance, September 30, 2017		1,042,100	\$ 22,909,162	-	\$ -	-	\$ 4,311,646	\$ 27,220,808

	<i>Note</i>	Stockholders' Equity		Preferred Stock		Reserves	Retained Earnings (Deficit)	Total Shareholders' Equity
		Number of Shares Issued	Amount	Number of Shares	Amount			
Balance, December 31, 2017		1,042,100	\$ 22,909,162	-	\$ -	-	\$ 4,584,346	\$ 27,493,508
Deferred Tax Liability from Reorganization	10	-	-	-	-	-	(4,510,000)	(4,510,000)
Non-Cash Contributions Resulting from Conversion to C-Corp		(1,042,100)	(22,909,162)	1,042,116	22,983,508	-	(74,346)	-
Share Based Compensation	8	-	-	-	-	1,499,837	-	1,499,837
Issuance of Series D Preferred Stock		-	-	383,300	15,235,834	-	-	15,235,834
Warrants	8	-	-	-	-	657,395	-	657,395
Net Loss		-	-	-	-	-	(1,894,732)	(1,894,732)
Balance, September 30, 2018		-	\$ -	1,425,416	\$ 38,219,342	\$ 2,157,232	\$ (1,894,732)	\$ 38,481,842

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

VIRO HEALTH, INC.
CODENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the Nine Month Period Ended September 30, 2018 and 2017
(Expressed in United States Dollars)

	<i>Note</i>	Nine Month Period Ended September 30, 2018	Nine Month Period Ended September 30, 2017
Cash Flows from Operating Activities:			
Net Loss		\$ (1,894,732)	\$ (703,389)
Items Not Affecting Cash:			
Depreciation		1,002,489	502,240
Loss on Sale of Property and Equipment		21,361	-
Share Based Compensation	8	1,499,837	-
Fair Value Adjustment on Sale of Inventory	5	9,513,880	(3,672,210)
Fair Value Adjustment on Growth of Biological Assets	6	(13,749,920)	4,015,155
Interest on Lease Obligation		666,267	-
Interest on Long-Term Debt		175,269	114,577
Amortization of Deferred Tenant Improvement		(186,811)	-
Deferred Income Taxes	10	1,335,000	-
Changes in non-cash working capital:			
Receivables		(1,255,691)	349,369
Due From Related Party		(1,540,423)	-
Inventory and Biological Assets	5,6	(1,639,916)	(1,069,827)
Prepaid Expenses and Deposits		199,362	(27,321)
Accounts Payable and Accrued Liabilities		(31,846)	(143,961)
Income Tax Payable		62,000	-
Deferred Rent		17,687	31,410
Deposits		(866,830)	(332,663)
Cash Flows Used in Operating Activities		\$ (6,673,017)	\$ (936,620)
Cash Flows from Investing Activities:			
Purchase of Property and Equipment	7	\$ (1,285,770)	\$ (368,156)
Proceeds on Sale of Property and Equipment	7	5,496,335	-
Cash Flows from (Used in) Investing Activities		\$ 4,210,565	\$ (368,156)
Cash Flows from Financing Activities:			
Proceeds from Debt	9	\$ 1,000,000	\$ 1,010,000
Payments on Debt	9	(1,000,000)	(14,284)
Interest Paid		(814,578)	(114,577)
Proceeds from Issuance of Preferred Stock	8	15,893,229	-
Contributions from Member		-	175,000
Distributions to Member		-	(355,826)
Cash Flows from Financing Activities		\$ 15,078,651	\$ 700,313
Net Change in Cash		\$ 12,616,199	\$ (604,463)
Cash, Beginning of the Period		2,595,965	2,093,876
Cash, End of the Period		\$ 15,212,164	\$ 1,489,413
Cash paid for:			
Interest		\$ 814,578	\$ 114,577
Taxes		\$ 2,073,000	-

Supplemental cash flow information (Note 16)

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS

Vireo Health, Inc. (the “Company”) headquarters is based out of Minneapolis, Minnesota and manages its wholly owned subsidiaries. The Company was organized on February 4, 2015 as a limited liability company with its registered office located at 207 South 9th St., Minneapolis, MN. Vireo Health, Inc. operates medical cannabis cultivation, production, and dispensary facilities in Minnesota, New York, and Pennsylvania through its subsidiaries. On January 1, 2018, the Company was incorporated in the state of Delaware.

While marijuana and CBD-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies all “marijuana” as a Schedule I drug. Under U.S. 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 safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as “still a violation of federal law.” At the present time, the distinction between “medical marijuana” and “recreational marijuana” does not exist under U.S. federal law, if one is illegal, both are illegal.

The condensed interim consolidated financial statements (“interim financial statements”) as at and for the three and six months ended September 30, 2018, and 2017, include Vireo Health and its subsidiaries (together referred to as “the Company”).

2. BASIS OF PRESENTATION

Statement of compliance

The condensed interim financial statements have been prepared in compliance with International Accounting Standard 34 – Interim Financial Reporting, and except as described in Note 3 to the condensed interim financial statements, the Company followed the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2017. The condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed interim financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on March 18, 2019.

Basis of measurement

These condensed interim consolidated financial statements have been prepared in U.S. dollars on a historical cost basis except for cash and biological assets, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in United States dollars. The functional currency of the Company and its subsidiaries is the United States dollar.

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies described in Note 2 of the financial statements for the year ended December 31, 2017 have been consistently applied, other than new policies, and changes to standards as described below.

a) New significant accounting policies

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at period-end having a dilutive effect been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

There was no earnings (loss) per share calculated for the period ended September 30, 2017 as the Company was a Limited Liability Company, with membership units instead of common shares. Conversion to a corporation occurred on January 1, 2018 as described in Note 8.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred Leasehold Inducements

A deferred leasehold inducement is recognized when leasehold improvements are approved for tenant improvement reimbursement from the landlord. The deferred leasehold inducement is amortized as a reduction to rental expense on a straight-line basis over the term of the lease agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**a) New significant accounting policies (cont'd)****Share-based compensation**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods received. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share capital

Incremental costs directly attributable to the issue of shares and other equity instruments are recognized as a deduction from share capital. Shares issued for consideration, other than cash, are valued based on their market value at the date the shares are issued.

b) New or amended standards adopted effective January 1, 2018

The Company has adopted the following new or amended IFRS standards for the interim and annual period beginning on January 1, 2018.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB on July 24, 2014 and replaced IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

- i) FVTPL;
- ii) amortized cost;
- iii) debt measured at fair value through other comprehensive income ("FVOCI");
- iv) equity investments designated at FVOCI; or
- v) financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**b) New or amended standards adopted effective January 1, 2018 (cont'd)**

Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test. The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of January 1, 2018.

The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets. Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9, other than convertible debentures, are initially measured at fair value and subsequently measured at amortized cost. For the periods presented, the Company did not hold convertible debentures.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets		
Cash	FVTPL	FVTPL
Deposits	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities
Capital lease obligations	Other liabilities	Other liabilities
Long-term debt	Other liabilities	Other liabilities

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. The Company has no accounts receivable as at December 31, 2017 or 2016. As such, there was no effect on transition.

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

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing.

The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of cannabis to medical customers for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**c) New accounting standards and interpretations issued but not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards (“IAS”) Board or International Financial Reporting Standards Interpretation Committee (“IFRIC”) that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- *IFRS 16 Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard.
- *IFRS 23 Uncertainty over Income Tax Treatments*: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires the Company’s management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate fail rate and compares the inventory cost to estimated net realizable value.

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.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company’s future operating results or on other components of equity.

VIREO HEALTH, INC.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Income taxes

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Impairment of long-lived assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Company uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

5. INVENTORIES

Inventory is comprised of:

	September 30, December 31,	
	2018	2017
Work in process - harvested cannabis bud and trim	\$ 10,659,894	\$ 7,804,100
Work in process - cannabis oil	4,336,193	4,267,300
Finished goods - cannabis	3,941,401	2,473,470
Accessories	25,456	30,170
	<u>\$ 18,962,944</u>	<u>\$ 14,575,040</u>

Cost of inventory is recognized as an expense and included in cost of goods sold. Included in costs of goods sold for the three month period ended September 30, 2018, is \$3,278,037 (2017 - \$1,552,712) and for the nine month period ended September 30, 2018, is \$9,513,880 (2017 - \$3,672,210) from changes in the fair value of biological assets.

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6. BIOLOGICAL ASSETS

Biological assets are comprised of:

	Capitalized Costs	Fair Value Adjustment	Balance
Balance as at December 31, 2016	\$ 130,166	\$ 885,297	\$ 1,015,463
Fair value adjustment on growth of biological assets	-	6,443,637	6,443,637
Production costs capitalized	2,102,330	-	2,102,330
Transferred to inventory upon harvest	(1,752,723)	(4,993,677)	(6,746,400)
Balance at December 31, 2017	<u>\$ 479,773</u>	<u>\$ 2,335,257</u>	<u>\$ 2,815,030</u>

	Capitalized Costs	Fair Value Adjustment	Balance
Balance as at December 31, 2017	\$ 479,773	\$ 2,335,257	\$ 2,815,030
Fair value adjustment on growth of biological assets	-	13,749,920	13,749,920
Production costs capitalized	2,934,991	-	2,934,991
Transferred to inventory upon harvest	(2,023,056)	(13,173,803)	(15,196,859)
Balance at September 30, 2018	<u>\$ 1,391,708</u>	<u>\$ 2,911,374</u>	<u>\$ 4,303,082</u>

As at September 30, 2018 and December 31, 2017, the carrying value of biological assets consisted entirely of live cannabis plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram less any additional costs to be incurred to transform the yield into a sellable product. Percentage of cost completion is applied to biological assets growing as of the measurement date.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the annual historical selling price for flower yield in all finished goods sold by the Company, which is expected to approximate future selling prices
- Percentage of completion – represents the percentage of total expected costs incurred from growing biological assets as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- Wastage – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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6. BIOLOGICAL ASSETS (cont'd)

The following table quantifies each significant unobservable input, and also provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets.

	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2018
			Effect of a 10% change	Effect of a 10% change
Selling price	\$ 16.25	\$ 16.60	\$ 2,090,000	\$ 508,000
Percentage of completion	67%	51%	\$ 432,000	\$ 282,000
Yield by plant (grams)	271	253	\$ 432,000	\$ 282,000
Wastage	17%	5%	\$ 267,000	\$ 15,000
Post-harvest costs	\$ 4.70	\$ 5.78	\$ 677,000	\$ 226,000

Biological assets were on average at a more advanced stage of growth in 2018 (67% complete) compared to December 31, 2017 (51% complete).

The Company aggregates fair value on a percentage of completion. As a result, a cannabis plant that is 50% through its estimated total grow cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

VIRO HEALTH, INC.
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7. PROPERTY AND EQUIPMENT

	Greenhouse	Land	Capital Lease (Note 8)	Leasehold Improvements	Equipment	Dispensaries	Software	Furniture & Fixtures	Vehicles	Construction in Progress	Total
Gross carrying amount											
Balance December 31, 2016	\$ 5,949,492	\$ 303,230	\$ -	\$ -	\$ 1,723,395	\$ 2,496,464	\$ 105,968	\$ 112,245	\$ -	\$ -	\$ 10,690,794
Additions	120,844	380,000	6,400,100	-	213,134	16,587	-	555	77,567	4,880,079	12,088,866
Disposals	(6,070,336)	(683,230)	-	-	(225,000)	-	-	-	-	-	(6,978,566)
Balance December 31, 2017	\$ -	\$ -	\$ 6,400,100	\$ -	\$ 1,711,529	\$ 2,513,051	\$ 105,968	\$ 112,800	\$ 77,567	\$ 4,880,079	\$ 15,801,094
Additions	-	-	5,763,330	3,736,224	387,630	18,686	1,084	-	92,262	786,108	10,785,324
Disposals	-	-	-	-	(85,113)	-	-	-	-	(5,541,489)	(5,626,602)
Balance September 30, 2018	\$ -	\$ -	\$ 12,163,430	\$ 3,736,224	\$ 2,014,046	\$ 2,531,737	\$ 107,052	\$ 112,800	\$ 169,829	\$ 124,698	\$ 20,959,816
Depreciation											
Balance December 31, 2016	\$ 312,522	\$ -	\$ -	\$ -	\$ 293,584	\$ 160,349	\$ 48,514	\$ 18,651	\$ -	\$ -	\$ 833,620
Additions	231,656	-	90,001	-	198,654	167,481	33,270	16,110	13,692	-	750,864
Disposals	(544,178)	-	-	-	(45,000)	-	-	-	-	-	(589,178)
Balance December 31, 2017	\$ -	\$ -	\$ 90,001	\$ -	\$ 447,238	\$ 327,830	\$ 81,784	\$ 34,761	\$ 13,692	\$ -	\$ 995,306
Additions	-	-	512,116	186,811	134,248	126,488	18,285	12,086	12,455	-	1,002,489
Disposals	-	-	-	-	(49,650)	-	-	-	-	-	(49,650)
Balance June 30, 2018	\$ -	\$ -	\$ 602,117	\$ 186,811	\$ 531,836	\$ 454,318	\$ 100,069	\$ 46,847	\$ 26,147	\$ -	\$ 1,948,145
Carrying Amount December 31, 2017	\$ -	\$ -	\$ 6,310,099	\$ -	\$ 1,264,291	\$ 2,185,221	\$ 24,184	\$ 78,039	\$ 63,875	\$ 4,880,079	\$ 14,805,788
Carrying Amount September 30, 2018	\$ -	\$ -	\$ 11,561,313	\$ 3,549,413	\$ 1,482,210	\$ 2,077,419	\$ 6,983	\$ 65,953	\$ 143,682	\$ 124,698	\$ 19,011,671

During the nine month period ended September 30, 2018 \$380,076 (2017 - \$275,903) in depreciation was included in profit and loss and \$622,413 (2017 - \$226,337) was capitalized with respect to biological assets.

During the nine month period September 30, 2018, the Company sold equipment with a net book value of \$35,464 for gross proceeds of \$18,000. The Company incurred a loss of \$17,463 on the transaction which is realized during the period. During the three month period ended September 30, 2018 no gain or loss was realized.

During the nine month period September 30, 2018, the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouse, and equipment (the "Cultivation Facilities") with a net book value of \$5,541,489 for gross proceeds of \$5,763,330. The Company paid a total of \$284,995 in transaction fees for total net proceeds of \$5,478,336. The Company incurred a loss of \$63,154 on the sale and leaseback transaction which is deferred and amortized over the term of the lease. During the nine month period ended September 30, 2018 a loss of \$2,105 was realized. During the three month period ended September 30, 2018 a loss of \$1,053 was realized.

During the year ended December 31, 2017, the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment (the "Cultivation Facilities") with a net book value of \$6,389,388 for gross proceeds of \$6,400,100. The Company paid a total of \$46,551 in transaction fees for total net proceeds of \$6,353,549. The Company incurred a loss of \$35,839 on the sale and leaseback transaction which is deferred and amortized over the term of the lease. During the nine month period ended September 30, 2018 a loss of \$1,793 was realized. During the three month period ended September 30, 2018 a loss of \$597 was realized.

Details of the lease agreements are disclosed in Note 8.

VIREO HEALTH, INC.

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8. SHARE CAPITAL

On January 1, 2018, the Company converted from a Limited Liability Company to a C corporation (Note 1). On conversion, the Company is authorized to issue 10,000,000 shares, including 7,500,000 common shares, and 2,500,000 preferred stock both of which will have a par value of \$0.0001 per share.

Preferred shares may be issued in several classes, including Series A, Series B, Series C and Series D. Further, preferred shares includes several subdivisions (C-1, C-2, C-3, C-4, C-5 and D-1, D-2). Series A Preferred shares rank senior to Series C and D Preferred shares until each Series A Preferred share has received payments in the amount equal to the Series A original issue price. Further, Series C and Series D Preferred shares are equal priority to each other and rank senior to Series B Preferred shares until each Series C and Series D Preferred share has received payments in the amount equal to the original issue price. Series B Preferred shares rank senior to the common shares until such time that each Series B Preferred share has received payments in the amount equal to the Series B original issue price.

On conversion, the Company has the following shares outstanding:

Series	Shares Issued	Share Capital
Series A Preferred Stock	361,000	\$3,590,044
Series B Preferred Stock	342,000	\$1,615
Series C Preferred Stock	339,116	\$19,391,849
Total	1,042,116	\$22,983,508

From the Company's inception to December 31, 2017, the Company was not subject to corporate federal and state income taxes since it was operating as a Limited Liability Company (LLC). On January 1, 2018 the Company converted from an LLC to a C Corporation and, as a result, became subject to corporate federal and state income taxes. The Company's accumulated retained earnings of \$74,346 and members' capital of \$22,909,162 was reclassified to preferred stock and additional paid in capital as a non-cash capital contribution.

At September 30, 2018 the Company has 1,425,416 shares issued and outstanding, which consist of the following:

(a) Series A Preferred Stock

361,000 shares issued and outstanding. The holders of series A preferred stock are entitled to one vote per share at all stockholder meetings.

(b) Series B Preferred Stock

342,000 shares issued and outstanding. The holders of series B preferred stock are entitled to one vote per share at all stockholder meetings.

(c) Series C Preferred Stock

339,116 shares issued and outstanding. The holders of series C preferred stock are entitled to one vote per share at all stockholder meetings.

(d) Series D Preferred Stock

383,300 shares issued and outstanding. The holders of series D preferred stock are entitled to one vote per share at all stockholder meetings.

(e) Common Stock

No shares issued and outstanding. The holders of common stock are entitled to one vote per share at all stockholder meetings.

The Company issued 383,300 Class D Preferred shares for total net proceeds of \$15,893,229, during the nine month period ended September 30, 2018. In connection with the issuance, the Company issued 17,602 compensation warrants and 9,800 advisory warrants, which are exercisable into Series D-1 preferred shares of the Company at a price of \$45 for a period of 24 months. The warrants have been valued at \$657,395 using the Black-Scholes option pricing model applying the following assumptions: Risk Free Rate - 2.64%, Expected Life - 2 years, Expected Annualized Volatility - 100%, Expected Dividend Yield - 0%.

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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8. SHARE CAPITAL (cont'd)**Stock Options**

On January 1, 2018, the Company adopted an equity incentive plan where the Company may grant incentive stock option, restricted shares, restricted share units, or other awards. Under the terms of the plan, a total of 1,000,000 common shares are reserved for issue. The exercise price for incentive stock options issued under the plan will be set by the committee, but will not be less 100% of the fair market value of the Company's shares on the date of grant. Incentive stock options have a maximum term of 10 years from the date of grant. The incentive stock options vest at the discretion of the Board.

Effective January 1, 2018, the Company granted a total of 222,100 stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$5.79 per share until January 1, 2028.

Effective May 1, 2018, the Company granted a total of 170,000 stock options to an employee. The options are exercisable into common shares at a price of \$10.00 per share until May 1, 2023.

Effective May 1, 2018, the Company granted a total of 153,300 stock options to certain employees. The options are exercisable into common shares at a price of \$10.00 per share until May 1, 2028.

Company	Options Outstanding	Weighted Avg Exercise Price
Balance, December 31, 2016 and 2017	-	\$ -
Granted	545,400	8.28
Balance September 30, 2018	545,400	\$ 8.28

As at September 30, 2018, the Company has the following options outstanding and exercisable as follows:

Grant Date	Exercise Price	Options Outstanding	Options Excerciseable	Wighted Average Life Remaining (years)
January 1, 2018	\$ 5.79	222,100	174,983	9.26
May 1, 2018	\$ 10.00	173,300	150,000	9.59
May 1, 2018	\$ 10.00	150,000	-	4.59

During the nine months ended September 30, 2018, the Company recognized \$1,499,837 in share-based compensation 2017 - \$nil). In determining the amount of share-based compensation related to options issued during the period, the Company used the Black-Sholes option pricing model to establish fair value of options granted during the nine months ended September 30 2018 on their measurement date by applying the following assumptions:

	September 30, 2018
Risk-Free Interest Rate	2.54%
Expected Life of Options (years)	8.44
Expected Annualized Volatility	100%
Expected Forfeiture Rate	nil
Expected Dividend Yield	nil
Black-Sholes Value of Each Option	\$4.497

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the Treasury bill rate with a remaining term equal to the expected life of the options.

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9. LOANS, LEASES AND NOTE PAYABLE

The details of the Company's loans, leases and notes payable are as follows:

Long-term debt

	September 30, December 31,	
	2018	2017
Opening balance	\$ 1,010,000	\$ 29,165
Additions	1,000,000	1,010,000
Payments	(1,000,000)	(29,165)
Ending balance	\$ 1,010,000	\$ 1,010,000
Less: Current portion	-	-
Long-term debt	\$ 1,010,000	\$ 1,010,000

During the year ended December 31, 2015, the Company entered in a loan for total proceeds of \$56,000 which was secured by a vehicle. The loan bore interest at a rate of 5.49% per annum and required monthly payments. During the year ended December 31, 2017, the loan was fully repaid.

During the year ended December 31, 2017, the Company signed a promissory note payable in the amount of \$1,010,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis. The loan is repayable in full on December 31, 2019.

During the nine month period ended September 30, 2018, the Company signed a promissory note payable in the amount of \$1,000,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis. The loan was paid in full during the nine month period ended September 30, 2018.

Lease obligations

	September 30, December 31,	
	2018	2017
Opening balance	\$ 6,431,129	\$ -
Additions	5,763,330	6,400,100
Interest	666,267	229,362
Interest payments	(639,309)	(198,333)
Ending balance	\$ 12,221,417	\$ 6,431,129
Less: Current portion	-	-
Long-term debt	\$ 12,221,417	\$ 6,431,129

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9. LOANS, LEASES AND NOTE PAYABLE (cont'd)

Future minim lease payments (principal and interest) on the leases is as follows

	<u>2018</u>
2018 (three months)	\$ 639,338
2019	2,635,571
2020	2,727,815
2021	2,823,288
2022	2,922,103
Thereafter	<u>35,650,360</u>
Minimum payments under lease	\$ 47,398,475
Effect of discounting	<u>(35,177,058)</u>
Present value of minimum lease payments	\$ 12,221,417
Less: Current portion	-
Lease obligations	<u>\$ 12,221,417</u>

During the nine months ended September 30, 2018 and the year ended December 31, 2017, the Company entered into sale and leaseback transactions for Cultivation Facilities (Note 7). As part of the transaction, the Company entered into three separate lease agreements for the Cultivation Facilities as follows:

- The lease agreement for a cultivation and manufacturing facility in Minnesota with a fair value of \$3,000,100 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.78% and requires regular monthly payments of \$50,000 which increase by 3.5% each year. Principal repayments begin in 2022. The lease also provides for a tenant improvement (“TI”) allowance up to \$988,000. Subsequent to September 30, 2018 the Company entered into a lease amendment for its cultivation and manufacturing facility in Minnesota. The amended agreement requires regular monthly payments of \$77,625 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of \$150,000 and provides for additional tenant improvement (TI) allowance up to \$2,000,000.
- The lease agreement for cultivation and manufacturing facility in New York with a fair value of \$3,400,000 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.19% and requires regular monthly payments of \$55,000 which increase by 3.5% every year. Principal repayments begin in 2022. The lease also provides for a tenant improvement (TI) allowance up to \$1,000,000. Subsequent to September 30, 2018 the Company entered into a lease amendment for its cultivation and manufacturing facility in New York. The amended agreement requires regular monthly payments of \$82,800 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of \$150,000 and provides for additional tenant improvement (TI) allowance up to \$2,000,000.
- The lease agreement for cultivation and manufacturing facility in Pennsylvania with a fair value of \$5,763,330 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.19% and requires regular monthly payments of \$107,500 which increase by 3.5% every year. Principal repayments begin in 2022. The lease also provides for a tenant improvement (TI) allowance up to \$2,836,670. Subsequent to September 30, 2018 the Company entered into a lease amendment for its cultivation and manufacturing facility in Pennsylvania. The amended agreement requires regular monthly payments of \$120,000 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of \$75,000 and provides for additional tenant improvement (TI) allowance up to \$1,000,000.

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

9. LOANS, LEASES AND NOTE PAYABLE (cont'd)

The Company received a total of \$2,534,683 for tenant improvements as per the terms of the lease agreements during the nine month period ended September 30, 2018. As at September 30, 2018 the Company had tenant improvement receivables of \$1,201,541. Tenant improvements of \$3,736,224 have been deferred and are amortized as a reduction in rental expense over the term of the lease.

10. INCOME TAXES

On January 1, 2018, the Company converted to a C corporation in the state of Delaware. Prior to January 1, 2018, the Company was classified as a Limited Liability Company ("LLC"). As such, prior to January 1, 2018 losses generated from operations were passed through to individual members.

As a result of the conversion to a C Corporation, the Company recognized a deferred tax liability of \$4,510,000 with a corresponding decrease to retained earnings. The liability pertains to the difference between the carrying value of biological assets on the statement of financial position and the tax basis.

Deferred tax expenses for the three and nine months ended September 30, 2018 totaled \$700,000 and \$1,335,000, respectively, compared to \$nil for the three and nine month periods ended September 30, 2017.

Federal and State income tax expenses for the three and nine month periods ended September 30, 2018 totaled \$850,000 and \$2,135,000, respectively, compared to \$nil for the three and nine month periods ended September 30, 2017.

11. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, and due from related party approximate their respective fair values due to the short-term nature of these instruments, and the carrying value of long term loans and lease liabilities approximates fair value as they bear a market rate of interest.

The Company's exposures and the impact on its financial instruments are summarized below:

11. FINANCIAL RISK MANAGEMENT (cont'd)**Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held on hand and with state banks (\$602,097 and \$346,112 cash on hand as of September 30, 2018 and December 31, 2017, respectively), from which management believes the risk of loss is remote. Receivables relate primarily to tenant improvements costs incurred with respect to leased facilities and was collected subsequent to the period ended September 30, 2018. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Minnesota, New York, and Pennsylvania with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, debt, and lease liabilities. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. Historically, the Company's main source of funding has been additional funding from shareholders. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

Price risk

Price risk is the risk of variability in fair value due to movements in shareholders' equity or market prices.

12. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the nine months ended September 30 2018. The Company is not subject to externally imposed capital requirement.

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

13. SEGMENTED INFORMATION

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment is the manufacturing and sales of refined cannabis products, which has operations in Minnesota, New York, and Pennsylvania.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

Non-current non-financial assets based on geographical location is as follows:

As at September 30, 2018	Minnesota	New York	Pennsylvania	Total
Property and equipment	\$ 6,021,383	\$ 5,118,197	\$ 7,872,091	\$ 19,011,671
Deposits	680,819	507,023	645,000	1,832,842
Deferred (Gain) Loss	(18,506)	52,154	61,049	94,697

As at December 31, 2017	Minnesota	New York	Pennsylvania	Total
Property and equipment	\$ 5,019,505	\$ 4,819,235	\$ 4,967,048	\$ 14,805,788
Deposits	324,845	132,663	508,504	966,012
Deferred (Gain) Loss	(19,491)	54,932	-	35,441

Operating results based on geographical location is as follows:

Nine Month Period Ended September 30, 2018	Minnesota	New York	Pennsylvania	Total
Revenue	\$ 5,361,023	\$ 7,416,860	\$ 53,945	\$ 12,831,828

Nine Month Period Ended September 30, 2017	Minnesota	New York	Pennsylvania	Total
Revenue	\$ 3,467,999	\$ 4,126,249	\$ -	\$ 7,594,248

14. COMMITMENTS**Lease commitments**

- The Company entered into an agreement to lease space in Minneapolis, MN to dispense medical cannabis. The lease commenced on July 1, 2015 and is for an original term of 60 months expiring on June 30, 2020, with an option to renew the lease upon expiration for two additional 36-month terms. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018 (three months)	\$ 29,423
2019	120,044
2020	60,616
Total minimum lease payments	\$ 210,083

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

14. COMMITMENTS (cont'd)**Lease commitments (cont'd)**

- The Company entered into an agreement to lease space in Rochester, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2018 (three months)	\$	18,116
2019		75,525
2020		45,097
Total minimum lease payments	\$	138,738

- The Company entered into an agreement to lease space in Moorhead, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020, with an option to renew the lease for an additional five-year term upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018 (three months)	\$	5,142
2019		20,979
2020		12,381
Total minimum lease payments	\$	38,502

- The Company entered into an agreement to lease space in Bloomington, MN to dispense medical cannabis. The lease commenced on July 1, 2016 and is for an original term of 60 months expiring on July 30, 2021, with an option to renew the lease for an additional five years upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018 (three months)	\$	6,849
2019		28,474
2020		29,327
2021		14,755
Total minimum lease payments	\$	79,405

- The Company entered into an agreement to retail lease space in Queens, NY to dispense medical cannabis. The lease commenced on October 1, 2015 and is for an original term of 10 years expiring on September 30, 2025. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018 (three months)	\$	88,181
2019		363,304
2020		374,204
2021		385,430
2022		396,993
Thereafter		1,153,003
Total minimum lease payments	\$	2,761,115

VIREO HEALTH, INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

14. COMMITMENTS (cont'd)**Lease commitments (cont'd)**

- The Company entered into a retail lease agreement to lease space Johnson City, NY to dispense medical cannabis. The lease commenced on June 1, 2015 for an original term of 60 months expiring on October 31, 2020. The Company has the option to extend the lease for two additional three-year terms. The years have to be exercised three months prior to completion of the initial term of the lease. The Company is responsible for its proportionate share of property taxes, insurance, and other operating expenses. The future minimum required lease payments are as follows:

2018 (three months)	\$	8,000
2019		32,000
2020		13,333
Total minimum lease payments	\$	53,333

- The Company entered into a retail lease agreement in White Plains, NY to dispense medical cannabis. The lease commenced on November 1, 2015 and is for a term of 60 months expiring on October 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2018 (three months)	\$	29,523
2019		118,092
2020		98,410
Total minimum lease payments	\$	246,025

- The Company entered into a retail lease agreement for space in Albany, NY to dispense medical cannabis. The lease commenced on September 15, 2016 and is for an original term of 60 months expiring on September 14, 2021. Included in the lease contract are two options for a five-year renewal at agreed upon lease price thru 2031. The Company is responsible for the property taxes, insurance, other operating expenses related to the property, and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2018 (three months)	\$	3,645
2019		14,580
2020		14,580
2021		10,328
Total minimum lease payments	\$	43,133

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

15. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's officers and directors.

Key management personnel compensation during the nine month period ended September 30, 2018 and 2017 were as follows:

	September 30, 2018		September 30, 2017	
Salaries and Wages	\$	398,269	\$	424,808
Share Based Compensation		893,633		-
Total	\$	1,291,902	\$	424,808

As at September 30, 2018, \$1,687,316 (December 31, 2017 - \$146,893) was due from related parties. These amounts are unsecured, non-interest bearing, and due on demand.

16. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash activities during the nine month period ended September 30, 2018 were as follows:

Biological assets transferred to inventory	\$	15,196,859
Transfer of members capital to share capital on conversion to C corp.	\$	22,909,162
Deferred tax incurred on conversion to C corp.	\$	4,510,000
Equipment acquired through finance lease	\$	5,763,330
Fair value of brokers warrants	\$	657,395

Non-cash activities during the nine month period ended September 30, 2017 were as follows:

Biological assets transferred to inventory	\$	4,225,071
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17. SUBSEQUENT EVENTS

Subsequent to the nine month period ended September 30, 2018:

- The Company entered into a Membership Purchase Agreement to acquire all of the issued and outstanding membership units of a Maryland related to Vireo, which has applied for a cannabis cultivation, manufacturing and dispensary license in Maryland. As consideration for the membership units, the Company granted 72,338 series C-4 preferred stock and 8,400 series C-5 preferred stock with an assigned value of \$3,600,000.
- The Company signed a Stock Investment and Redemption Agreement ("SIRA") to acquire all of the issued and outstanding common stock of a Rhode Island company which has applied for registration to participate in the cultivation, production and sale of medical marijuana in Rhode Island. Under the terms of the SIRA, the Company would pay \$300,000 in cash and \$700,000 in convertible debt instruments. The transaction has received regulatory approval by the State of Rhode Island. In connection with the SIRA, the Company paid a \$50,000 non-refundable deposit. The SIRA was closed effective January 2, 2019.
- The Company signed Membership Interest Purchase Agreements ("MIPAs") to acquire all of the issued and outstanding member equity of two limited liability corporations in Nevada, which are involved in the cultivation, production, and sale of medical marijuana in Caliente, Nevada and which have applied for registration to participate in the cultivation, production and sale of recreational marijuana in Caliente, Nevada. Under the terms of the MIPAs, the Company would pay a total of \$1,500,000 in cash and \$2,500,000 in convertible debt instruments. The transaction is subject to regulatory approval by the state Nevada. In connection with the MIPAs, the Company paid non-refundable deposits totaling \$550,000.

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

17. SUBSEQUENT EVENTS (cont'd)

- The Company signed an Amended and Restated Membership Interest and Stock Purchase Agreement ("MISPA") to acquire all of the issued and outstanding member equity two limited liability corporations and two companies, which are involved in the cultivation, manufacturing, and distribution of medical marijuana in Arizona. Under the terms of the MISPA, the Company would pay \$10,000,000 in cash and \$5,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Arizona department of Health and Safety. In connection with the MISPA, the Company paid non-refundable deposits totaling \$650,000.

The initial accounting for the business acquisition was incomplete at the time the financial statements were authorized for issue; therefore, certain disclosures cannot be determined at this time. This includes amounts to be recognized as of the acquisition date for the fair value of the assets acquired and liabilities assumed including any intangible assets that may arise from the transaction. The Company expects the preliminary purchase price allocation will include cash, receivables, biological assets, inventory, property and equipment, intangible assets, and accounts payable and accrued liabilities.

- The Company signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of a Puerto Rico company, which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, the Company would pay \$900,000 in cash and \$900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico. In connection with the SPA, the Company paid a \$25,000 non-refundable deposit.
- The Company signed a LOI to acquire all of the issued and outstanding equity interests of a Massachusetts based company for the right to acquire certain real property and the exclusive right to manage the operations of the company, which is preparing to be engaged in the business of medical and recreational (i.e. adult use) marijuana cultivation, production and sale in Massachusetts. Under the terms of the LOI, the Company would pay \$1,000,000 in cash and \$9,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Department of Public Health and the Cannabis Control Commission. In connection with the LOI, the Company paid a \$50,000 non-refundable deposit.
- The Company signed a LOI to acquire certain assets including the right to manage the operations of a nonprofit corporation engaged in the business of medical marijuana cultivation, production, and dispensary operations in New Mexico. Under the terms of the LOI, the Company would pay \$2,000,000 (plus certain expenses related to a new cultivation facility) in cash and \$2,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by all applicable regulatory authorities. In connection with the LOI, the Company paid non-refundable deposits totaling \$250,000.
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in Santa Ana, CA. Under the terms of the LOI, the Company would pay \$15,300,000 in cash and \$4,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion from a nonprofit corporation to a for-profit limited liability company and regulatory approval by all applicable regulatory authorities.
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in San Francisco, CA. Under the terms of the LOI, the Company would pay \$23,300,000 in cash and \$5,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion of the nonprofit corporation to a for-profit company and regulatory approval by all applicable regulatory authorities.

VIREO HEALTH, INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the Nine Month Period Ended September 30, 2018 and 2017

(Expressed in United States Dollars)

17. SUBSEQUENT EVENTS (cont'd)

- The Company signed a Membership Interest Purchase Agreement ("MIPA"), with a company controlled by a related party, whereby it acquired all of the issued and outstanding membership interests in the company, which conducts hemp research in Minnesota. In connection with the MIPA, the Company issued \$50,000 in convertible debt instruments.
- The Company signed a LOI to form a joint venture to develop processes and specialized equipment for the process of cannabis and hemp with a company which develops, manufactures and distributes, among other things, industrial drying equipment that can be used for plant materials including cannabis and hemp. Under the terms of the LOI, the Company will grant the joint venture a license to the Company's intellectual property and expertise related to the granulation, drying, extraction and distillation/concentration of cannabis and hemp to retain/obtain desired characteristics.
- Effective October 1, 2018, the Company granted a total of 40,000 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until October 1, 2028.
- Effective November 15, 2018, the Company granted a total of 2,500 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until November 5, 2028.
- Effective December 21, 2018, the Company granted a total of 152,500 incentive stock options to certain employees. The options are exercisable into common shares at a price of \$10.00 per share until December 21, 2028.
- On January 29, 2019, Ohio Medical Solutions, Inc. acquired a commercial property in Akron, Ohio for \$550,000 in cash.
- On February 27, 2019 the Company entered into a sale and leaseback transaction for a manufacturing facility in Ohio whereby the Company plans to sell the facility for \$600,000. The lease agreement is for 15 years with two options to extend for an additional five years respectively.
- On February 13, 2019, the Company entered into a Business Combination Agreement with Darien Business Development Corp. ("Darien"), whereby the Company agreed to complete a reverse take-over transaction whereby Darien would acquire the Company and the shareholders of the Company would become the controlling shareholders of Darien (the "Transaction"). Completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of a financing. There can be no assurance that the Transaction will be completed as proposed or at all.

In connection with the Business Combination Agreement, Vireo is completing a brokered and non-brokered private placement of Subscription Receipts at a price of \$4.25 per Subscription Receipt for gross proceeds of approximately \$51 million. Each Subscription Receipt will be automatically exchanged for one common share immediately prior to and in connection with the completion of the Business Combination without payment of additional consideration or further action on the part of the holder. In connection with the brokered and non-brokered offerings, the Company is paying aggregate cash fee to the Agents equal to \$3,241,738 and the Agents will be granted an aggregate of 763,111 compensation warrants. Following the closing of the business combination, each compensation warrant is exercisable for one Subordinate Voting Share at \$4.25 per share for a period of 24 months following the effective date of the Business Combination.

SCHEDULE "C"
MD&A OF DARIEN BUSINESS DEVELOPMENT CORP.

(See attached)

DARIEN BUSINESS DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information, prepared as of April 27, 2018 should be read in conjunction with the financial statements of Darien Business Development Corp ("the Company" or "Darien") for the year ended December 31, 2017. The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company's financial statements for the year ended December 31, 2017, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of April 27, 2018.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

COMPANY DESCRIPTION

Darien Business Development Corp. was incorporated under the Alberta Business Corporations Act on November 23, 2004. The Company's main activities during the year ended December 31, 2017 have been maintaining its public listing and pursuing potential business opportunities as they arise. Effective March 14 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at the time. All references to share and per share amounts have been retroactively restated to reflect the share consolidation. The Company is listed on the TSX Venture Exchange's NEX board under the trading symbol "DBD.H".

Darien Business Development Corp.

MD&A

December 31, 2017

SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited financial information of the Company for the years ended December 31, 2017, 2016 and 2015:

	2017 \$	2016 \$	2015 \$
Total Revenues	-	-	-
Loss	(105,597)	(144,913)	(82,093)
Loss Per Share (basic and diluted) ⁽¹⁾	(0.01)	(0.02)	(0.01)
Total Assets	303,037	15,361	8,333
Long-term Liabilities	-	-	-
Dividends Declared	-	-	-

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The loss for the year ended December 31, 2016 is greater due to increased consulting fees. The Company is focused on preserving capital and limiting expenditures as it pursues potential business opportunities.

RESULTS OF OPERATIONS

The Company recorded a loss of \$105,597 (\$0.01 per share) for the year ended December 31, 2017 as compared to a loss of \$144,913 (\$0.02 per share) for the year ended December 31, 2016. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported loss for the years ended December 31, 2017 and 2016 to produce an adjusted loss that forms a better basis for comparing the year over year operating results of the Company.

	2017 \$	2016 \$
Loss for the year as reported	(105,597)	(144,913)
Add (deduct):		
Amortization	476	602
Foreign exchange (gain)	-	(175)
Gain on write-down of accounts payable	-	(16,539)
Adjusted loss for the year ⁽¹⁾	(105,121)	(161,025)

⁽¹⁾ Adjusted loss for the year is not a term recognized under IFRS.

Comments regarding certain of these items are as follows:

- Foreign exchange loss is based on fluctuations in the exchange rate between the Canadian dollar and the US dollar. Certain liabilities are denominated in US dollars.

The decrease in adjusted loss recorded in the year ended December 31, 2017 as compared to the year ended December 31, 2016 is due to a decrease in consulting fees of \$60,000.

FOURTH QUARTER

The Company recorded a loss of \$31,801 (\$0.00 per share) for the three months ended December 31, 2017 as compared to a loss of \$29,098 (\$0.00 per share) for the three months ended December 31, 2016. The loss in the quarter ended December 31, 2017 was greater than the comparative period the Company recorded a gain on write-down of accounts payable of \$12,804, during the quarter ended December 31, 2016.

Darien Business Development Corp.

MD&A

December 31, 2017

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out financial information for the past eight quarters:

	Three Months Ended (\$)			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total Revenues	-	-	-	-
Loss	(31,801)	(18,352)	(29,552)	(25,892)
Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.00)	(0.01)	(0.00)

	Three Months Ended (\$)			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total Revenues	-	-	-	-
Loss	(29,098)	(37,000)	(58,396)	(20,419)
Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.01)	(0.01)	(0.00)

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount.

The decrease in loss for the quarters ended September 30, 2017 was due to decreased consulting fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed \$105,121 of cash (before working capital items) for the year ended December 31, 2017. The Company's aggregate operating, investing, and financing activities during the year ended December 31, 2017 resulted in an increase in its cash balance from \$2,856 at December 31, 2016 to \$286,868 at December 31, 2017. The Company's working capital surplus at December 31, 2017 was \$277,989 compared to a working deficit of \$214,015 at December 31, 2016.

The Company has no long-term debt.

FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

During the year ended December 31, 2016 the Company received \$148,800 in advances payable, including \$68,000 to a director of the Company. During the year ended December 31, 2017 the Company received an additional \$21,000 in advances payable, including \$16,000 from a director. As at December 31, 2017 the Company had repaid all of the advances payable.

On November 7, 2017, the Company completed a private placement in which a total of 6,000,000 units were issued at a price of \$0.10 per Unit for gross proceeds of \$600,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant entitles the holder to purchase one additional common share at a price of \$0.15 per common share for a period of one year from the date of issue.

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RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the years ended December 31, 2017 and 2016:

	2017	2016
	\$	\$
Accounting fees ⁽¹⁾	13,436	8,541
Consulting fees ⁽²⁾	30,000	60,000
	43,436	68,541

⁽¹⁾ Includes fees billed by a company owned by a director, Rob McMorran.

⁽²⁾ Includes fees billed by the CEO, Gunther Roehlig.

Included in accounts payable and accrued liabilities as at December 31, 2017 is \$3,830 (December 31, 2016 - \$31,279) due to current directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2017 the Company received \$16,000 (2016 - \$68,000) in advances payable from a director of the Company and repaid \$84,000 (2016 - \$nil) in advances payable to the same director.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the years ended December 31, 2017 and 2016 is identical to the table above.

FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities payable. The Company designated its cash as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities and advances payable are designated as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with the Bank of Montreal.

Interest Rate Risk

Interest rate risk is the risk that the 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 is limited because at present the Company's liabilities are non-interest bearing or have fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as

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well as anticipated investing and financing activities. At December 31, 2017 the Company had a working capital surplus of \$277,989 compared to a working capital deficit of \$214,015 at December 31, 2016.

OUTSTANDING SHARE DATA

Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.

Effective March 14, 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at the time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

All share information is reported as of April 27, 2018 in the following table:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	12,455,815	N/A	N/A
Share purchase warrants	6,000,000	0.15	November 7, 2018
Total	18,455,815		

RISKS AND UNCERTAINTIES

The Company has incurred significant losses since inception. The continued operations of the Company are dependent on its ability to generate future cash flow and obtain additional financing. The Company has traditionally financed its cash requirements through the issuance of common shares. If the Company is unable to generate cash from operations or obtain additional financing its ability to continue as a going concern could be impaired.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the year ended December 31, 2017 and this accompanying MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards have been issued but are not yet effective:

IFRS 9 Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages

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its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. Companies may early adopt IFRS 9 however there is no mandatory application date. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

OUTLOOK

The Company is focusing on pursuing potential opportunities as they arise.

DARIEN BUSINESS DEVELOPMENT CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information, prepared as of November 29, 2018 should be read in conjunction with the unaudited condensed interim financial statements of Darien Business Development Corp. ("the Company" or "Darien") for the three and nine months ended September 30, 2018, together with the audited financial statements of the Company for the year ended December 31, 2017 and the accompanying Management's Discussion and Analysis ("MDA") for that fiscal year. The referenced condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company's condensed interim financial statements for the three and nine months ended September 30, 2018, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 29, 2018.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

COMPANY DESCRIPTION

Darien Business Development Corp. was incorporated under the Alberta Business Corporations Act on November 23, 2004. The Company's main activities during the nine months ended September 30, 2018 have been maintaining its public listing and pursuing potential business opportunities as they arise. Effective March 14 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at the time. All references to share and per share amounts have been retroactively restated to reflect the share consolidation. The Company is listed on the TSX Venture Exchange's NEX board under the trading symbol "DBD.H".

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RESULTS OF OPERATIONS

The Company recorded a loss of \$53,616 (\$0.00 per share) for the nine months ended September 30, 2018 as compared to a loss of \$73,796 (\$0.00 per share) for the nine months ended September 30, 2017. The decrease in loss for the nine months ended September 30, 2018 is due to a reduction of consulting fees from \$45,000 during the period ended September 30, 2017 to \$30,000 during the period ended September 30, 2018.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out financial information for the past eight quarters:

	Three Months Ended (\$)			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total Revenues	-	-	-	-
Loss	(32,776)	(8,044)	(12,796)	(31,801)
Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

	Three Months Ended (\$)			
	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Total Revenues	-	-	-	-
Loss	(18,352)	(29,552)	(25,892)	(29,098)
Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.01)	(0.00)	(0.00)

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount.

The loss for the quarters ended June 30, 2018 and March 31, 2018 are lower than other periods due to decreased consulting fees. The loss for the quarter ended September 30, 2018 increased as the Company incurred consulting fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed \$53,325 of cash for the nine months ended September 30, 2018. The Company's aggregate operating, investing, and financing activities during the nine months ended September 30, 2018 resulted in a decrease in its cash balance from \$286,868 at December 31, 2017 to \$194,927 at September 30, 2018. The Company's working capital at September 30, 2018 was \$224,664 compared to working capital of \$277,989 at December 31, 2017. These factors indicate a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business.

The Company has no long-term debt.

FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

The Company had no financing activities or capital expenditures during the nine months ended September 30, 2018.

During the nine months ended September 30, 2017 the Company received \$21,000 in advances payable, including \$16,000 from a director of the Company. The amounts were unsecured, non-interest bearing and due on demand. The advances payable were repaid during the year ended December 31, 2017.

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RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accounting fees ¹	521	1,396	5,738	8,049
Consulting fees ²	15,000	7,500	15,000	22,500
	15,521	8,896	20,738	30,549

⁽¹⁾ Includes fees billed by a company owned, until July 31, 2018, by Rob McMorran, a director of the Company.

⁽²⁾ Includes fees billed by the CEO, Gunther Roehlig.

Included in accounts payable and accrued liabilities as at September 30, 2018 is \$nil (December 31, 2017 - \$3,830) due to current directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

During the nine months ended September 30, 2017 the Company received \$16,000 in advances payable from a director of the Company. The amounts were non-interest bearing repaid during the year ended December 31, 2017.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the nine months ended September 30, 2018 and 2017 is identical to the table above.

FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities payable. The Company designated its cash as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with the Bank of Montreal.

Interest Rate Risk

Interest rate risk is the risk that the 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 is limited because at present the Company's liabilities are non-interest bearing or have fixed interest rates.

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Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. At September 30, 2018 the Company had working capital of \$224,664 compared to working capital of \$277,989 at December 31, 2017.

OUTSTANDING SHARE DATA

Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.

Effective March 14, 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at the time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

All share information is reported as of November 29, 2018 in the following table:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	12,455,815	N/A	N/A
Total	12,455,815		

RISKS AND UNCERTAINTIES

The Company has incurred significant losses since inception. The continued operations of the Company are dependent on its ability to generate future cash flow and obtain additional financing. The Company has traditionally financed its cash requirements through the issuance of common shares. If the Company is unable to generate cash from operations or obtain additional financing its ability to continue as a going concern could be impaired.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the nine months ended September 30, 2018 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

ACCOUNTING STANDARDS

The following standard was adopted by the Company during the period:

IFRS 9 Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the

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multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. The adoption of this standard did not have a material measurement or disclosure impact on the Company' financial statements.

OUTLOOK

The Company is focusing on pursuing potential opportunities as they arise.

SCHEDULE "D"
ANNUAL AND INTERIM MD&A OF VIREO AND ITS OPERATING SUBSIDIARIES

VIREO HEALTH, LLC
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED
DECEMBER 31, 2017 AND 2016

(Expressed in United States Dollars)

MD&A of Vireo Health, LLC

This management discussion and analysis (“MD&A”) of the financial condition and results of operations of Vireo Health, LLC (the “Company” or “Vireo”) is for the years ended December 31, 2017 and 2016. It is supplemental to, and should be read in conjunction with, the Company’s audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. 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”, identified in the “Risks and Uncertainties” section of this MD&A. As a result of many factors, the Company’s actual results may differ materially from those anticipated in these forward-looking statements and information.

OVERVIEW OF THE COMPANY

Vireo is one of America’s leading multi-state cannabis companies. Vireo is physician-led and dedicated to providing patients with high quality cannabis-based products and compassionate care. Vireo cultivates cannabis in environmentally friendly greenhouses, manufactures pharmaceutical-grade cannabis extracts, and sells their products at both company-owned and third-party dispensaries to qualifying patients. Vireo currently serve thousands of customers each month.

Vireo has a strong track record competing in merit-based licensing processes, having won licenses in some of the most selective state-based markets – Minnesota, New York, and Pennsylvania. While not yet profitable, Vireo had average monthly revenues of \$900,000 for the year ended December 31, 2017. Vireo’s current facility footprint includes three manufacturing facilities (located in Minnesota, New York, and Pennsylvania) and eight dispensaries (four in New York and four in Minnesota).

Vireo is also active in the industrial hemp arena, with a license in New York where the Company is building a hemp processing facility.

Vireo intends to significantly expand its footprint into new states by participating in the competitive application process of such states and by acquiring licensees.

Operating Segments

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment is the manufacturing and sales of refined cannabis products, which has operations in Minnesota, New York, and Pennsylvania.

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

As of the year ended December 31, 2017, Vireo has operating revenue in two of its markets: Minnesota and New York and ramp up expenses related to its build out in Pennsylvania in preparation for revenue generation in the fourth quarter of 2018.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	As of and for the Year Ended December 31,	
	2017	2016
Total Revenues, net of discounts	\$ 10,867,064	\$ 4,259,645
Cost of Goods Sold (excluding biological assets)	\$ 5,104,379	\$ 2,730,496
Gross Profit	\$ 6,365,504	\$ 9,991,858
Total Expenses	\$ 6,404,657	\$ 4,193,834
Other Income (Expense)	\$ (391,534)	\$ 6,480
Income (Loss) Before Provision for Income Taxes	\$ (430,689)	\$ 5,804,504
Total Assets	\$ 36,564,179	\$ 28,686,695
Long-Term Liabilities	\$ 7,554,371	\$ 83,033

Year Ended December 31, 2016 Compared to Year Ended December 31, 2017

Revenue

Revenue for the fiscal year ended December 31, 2017 was \$10,867,064, an increase of \$6,607,419, or 155% compared to revenue of \$4,259,645 for the prior fiscal year ended December 31, 2016. Key performance drivers are: increased patient counts from the New York and Minnesota businesses of Vireo's portfolio.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for fiscal year ended December 31, 2017 was \$5,104,379, an increase of \$2,373,883 or 87% 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 increase in sales and patient counts in New York and Minnesota.

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.

Biological asset transformation totaled a net gain of \$602,819, for fiscal year ended December 31, 2017, down 93% or \$7,859,890 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 \$5,762,685, representing a gross margin on the sale of medicinal cannabis, of 53%. This is compared to gross profit before biological asset adjustments for the fiscal year ended December 31, 2016 of \$1,529,149 or a 36% gross margin.

Gross profit after net gains on biological asset transformation for fiscal year ended December 31, 2017 was \$6,365,504, representing a gross margin of 59%, compared with gross profit after biological asset transformation of \$9,991,858 or 235% gross margin, for the prior fiscal year ended December 31, 2016.

Total Expenses

Total expenses for fiscal year ended December 31, 2017 were \$6,404,659, an increase of \$2,210,825, compared to total expenses of \$4,193,834 for the fiscal year ended December 31, 2016, which represents 59% of revenue for the fiscal year ended December 31, 2017 compared to 98% of revenue for the prior year. Increase in total expenses was attributable to an increase in salaries and wages and selling, general and administrative expenses of \$5,178,297 which represented an increase over 2016 of \$2,128,098.

Total Other Income (Expense)

Total other expense for fiscal year ended December 31, 2017 was \$391,534, an increase of \$398,014 compared to prior fiscal year ended December 31, 2016. Increase in other expenses is attributable to interest expense from the financing leases of the cultivation facilities in New York and Minnesota and the promissory note payable entered into during the fiscal year ended December 31, 2017.

Drivers of Results of Operations

Revenue

The Company derives its revenue from its retail business in which it manufactures and sells to end consumers in its retail stores. For the fiscal year ended December 31, 2017 and 2016 100% of the revenue was generated from retail business. Revenue was contributed approximately 56% from New York operations and 44% from Minnesota operations.

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, and allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit 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 fiscal year ended December 31, 2017, the Company continued to be focused on executing sustainable profitable growth of the Company's base business while pursuing national expansion. Vireo expects to continue its growth strategy for the foreseeable future as the Company expands its footprint within its current markets with acquisitions and partnerships and scales resources into new markets.

In the markets in which Vireo is already operational, the Company expects to realize gradual price compression as these state markets mature which will place downward pressure on both retail gross margins. However, the Company's current production capacity has not been fully realized and it is expected that price compression at the retail level will be offset by the scalability of the production facilities and continued realization of significant distribution market share.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and marketing and branding activities. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, the Company expects selling costs to remain relatively flat in the more established operational markets (Minnesota and New York) and increase in the up and coming markets as business continues to grow (Pennsylvania). The increase is expected to be driven primarily by the growth of our Wholesale channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, benefits, and other professional service costs. The Company expects to continue to invest considerably in this area to support expansion plans and to support the increasing complexity of the cannabis business. Furthermore, the Company expects to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with being a publicly traded company.

Summary of Quarterly Results

The following table presents financial information for the most recently prepared quarters:

Period	Total Revenue	Net Effect of Changes in Fair Value of Biological Assets	Net Income (Loss)
Quarter Ended December 31, 2017	\$3,272,816	\$259,875	\$272,700
Quarter Ended September 30, 2017	\$3,082,861	\$481,943	\$690,836
Quarter Ended June 30, 2017	\$2,618,463	\$857,884	\$680,897
Quarter Ended March 31, 2017	\$1,892,924	(\$996,882)	(\$2,075,122)
Quarter Ended December 31, 2016	\$1,602,888	\$1,471,062	\$1,438,788
Quarter Ended September 30, 2016	\$1,251,927	\$2,673,350	\$1,803,341
Quarter Ended June 30, 2016	\$879,180	\$2,302,203	\$1,568,284
Quarter Ended March 31, 2016	\$525,650	\$2,016,094	\$994,091

Revenues increased quarter over quarter through the period ended December 31, 2017, primarily due to an increase in the number of patients since March 31, 2016.

For each quarter presented, there were no other significant factors, economically or industry wide relating to pricing, competition, or buying patterns that contributed to the noted significant variances.

Net Income/(Loss) has fluctuated quarter over quarter largely due to biological asset valuations.

Liquidity, Financing Activities During the Period, and Capital Resources

As at December 31, 2017, the Company had total current liabilities of \$1,516,300 (\$498,639 as at December 31, 2016) and cash of \$2,595,965 (\$2,093,876 as at December 31, 2016) to meet its current obligations. As at December 31, 2017, the Company had working capital of \$19,093,745 up \$1,422,174 compared to December 31, 2016 driven mainly by increase in inventory.

During the fiscal year ended December 31, 2017 the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment for gross proceeds of \$6,400,100 and entered into a leaseback transaction that runs through 2032.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities was \$612,870 for the fiscal year ended December 31, 2017, a decrease of \$3,763,498, or 86%, compared to \$4,376,368 for the year ended December 31, 2016. The decrease in net cash used in operating activities was primarily due to inventory and biological assets.

Cash Flow from Investing Activities

Net cash from investing activities was \$664,783 for the fiscal year ended December 31, 2017, an increase of \$1,818,595, or 73%, compared to \$2,483,378 used in investing activities for the year ended December 31, 2016. The increase in net cash from investing activities was due to sale of the New York and Minnesota cultivation facilities for a combined \$6,400,100 during the fiscal year ended December 31, 2017.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$450,176 for the fiscal year ended December 31, 2017, a decrease of \$981,219, or 69%, compared to \$1,431,395 for the fiscal year ended December 31, 2016. The decrease in net cash provided by financing activities was due to the distributions to Members of \$355,826 for tax purposes and a decrease in the issuance of membership units during the year ended December 31, 2017.

Contractual Obligations

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt	\$ 1,010,000	\$ -	\$1,010,000	\$ -	\$ -
Financing Lease Obligations	\$ 6,431,129	\$ -	\$ -	\$ 119,575	\$6,311,554
Operating Leases	\$ 4,136,968	\$ 755,513	\$1,420,946	\$ 807,506	\$1,153,003
Purchase Obligations - 1	\$ -	\$ -	\$ -	\$ -	\$ -
Other Long Term Obligations - 2	\$ 113,242	\$ -	\$ 11,585	\$ 49,279	\$ 52,378
Total Contractual Obligations	\$ 11,691,339	\$ 755,513	\$2,442,531	\$ 976,360	\$7,516,935

1 – “Purchase Obligations” means an agreement to purchase goods or services that is enforceable and legally binding on the Corporation that specifies all significant terms including: fixed, minimum or variable price provisions, and the appropriate 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.

Management’s Responsibility for Financial Information

The Company’s financial statements and the other financial information included in this management report are the responsibility of the Company’s management and have been examined and approved by the Board of Directors. The accompanying audited financial statements are prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and include certain amounts based on management’s best estimates using careful judgment. The selection of accounting principles and methods is management’s responsibility.

Management recognizes its responsibility for conducting the Company’s affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

Related Party Transactions

During the years ended December 31, 2017 and 2016 transactions with related parties consist of:

- Salaries and wages paid to personnel (CEO, COO, and CFO) in the amount of \$600,385 for the year ended December 31, 2017 and \$381,846 for the year ended December 31, 2016.
- At December 31, 2017 \$146,893 (2016 – \$455,962) was due from related parties. These amounts are unsecured, non-interest bearing, and due on demand. These amounts were due from Dorchester Capital, LLC and its subsidiary. Dorchester Capital, LLC has substantially similar management and ownership as the Company. Kyle Kingsley, MD and Amber Shimpa are executives at the Company as well as managing members at Dorchester Capital, LLC.

Subsequent Transactions

Subsequent to the year ended December 31, 2017:

- On January 1, 2018, the Company converted from a limited liability company to a C corporation. On conversion, the Company is authorized to issue 10,000,000 shares, including 7,500,000 common shares, and 2,500,000 preferred stock each of which will have a par value of \$0.0001 per share.
- Preferred shares may be issued in several classes, including Series A, Series B, Series C and Series D. Further, preferred shares includes several subdivisions (C-1, C-2, C-3, C-4, C-5 and D-1, D-2). Series A Preferred shares rank senior to Series C and D Preferred shares until each Series A Preferred share has received payments in the amount equal to the Series A original issue price. Further, Series C and Series D Preferred shares are equal priority to each other and rank senior to Series B Preferred shares until each Series C and Series D Preferred share has received payments in the amount equal to the original issue price. Series B Preferred shares rank senior to the common shares until such time that each Series B Preferred share has received payments in the amount equal to the Series B original issue price.
- On conversion, the Company had the following shares outstanding:

Series	Shares Issued	Share Capital
Series A Preferred Stock	361,000	\$3,590,044
Series B Preferred Stock	342,000	\$1,615
Series C Preferred Stock	339,116	\$19,391,849
Total	1,042,116	\$22,983,508

- On January 1, 2018, the Company adopted an equity incentive plan where the Company may grant incentive stock option, restricted shares, restricted share units, or other awards. Under the terms of the plan, a total of 1,000,000 common shares are reserved for issue. The exercise price for incentive stock options issued under the plan will be set by the committee, but will not be less 100% of the fair market value of the Company's shares on the date of grant. Incentive stock options have a maximum term of 10 years from the date of grant.
- The Company entered into a sale and leaseback transaction for a cultivation and manufacturing facility in Pennsylvania whereby the Company sold the facility for net proceeds of \$5,763,330. The lease agreement is for 15 years with two options to extend for an additional five years respectively. As at December 31, 2018, a total of \$4,880,079 was included in construction in progress related to this facility.
- The Company entered into a lease agreement for a cultivation and manufacturing facility in Pennsylvania (referenced above). The lease provides for tenant improvements (TI) allowance not to exceed \$2,836,670. The TI may be applied to certain costs that must be submitted to the landlord for approval. Upon approval, the landlord will reimburse for the approved TI. The Company has until April 6, 2031, to request disbursement for the final installment of the TI allowance.

- The Company received a total of \$3,736,224 for tenant improvements as per the terms of its lease agreements for its cultivation and manufacturing facilities in New York, Minnesota, (Note 8) and Pennsylvania (above).
- The Company signed a first amendment to the existing lease agreements for the cultivation and manufacturing facilities in Minnesota, New York and Pennsylvania. Under the terms of the amendments, the term of loans were extended to December 7, 2033, for tenant improvements per the terms through December 7, 2033 and provides for additional tenant improvements of up to \$5,000,000 dollars.
- The Company created and issued 383,300 Series D Preferred shares for gross proceeds of \$17,248,830. In connection with the financing, the Company incurred share issuance costs of \$1,286,329. Series D Preferred shares are each entitled to a vote, and have similar rights as Series C Preferred shares. In connection with the issuance, the Company granted 17,602 compensation warrants and 9,800 advisory warrants, which are exercisable into Series D-1 preferred shares of the Company at a price of \$45 for a period of 24 months.
- The Company received a \$1,000,000 term loan from Dorchester Capital, LLC. The loan bears interest of 15% and matures on January 31, 2021. The loan was subsequently repaid and settled in August 2018.
- The Company loaned a total of \$1,500,000 to MaryMed, LLC ("MaryMed"), a related party. The loan bears interest at a rate of 15% per annum and is due in full on or before January 31, 2021. The loan was subsequently repaid and settled in August 2018.
- The Company entered into a Membership Purchase Agreement to acquire all of the issued and outstanding membership units of a Maryland related to Vireo, which has applied for a cannabis cultivation, manufacturing and dispensary license in Maryland. As consideration for the membership units, the Company granted 72,338 series C-4 preferred stock and 8,400 series C-5 preferred stock with an assigned value of \$3,600,000.
- The Company signed a Stock Investment and Redemption Agreement ("SIRA") to acquire all of the issued and outstanding common stock of a Rhode Island company which has applied for registration to participate in the cultivation, production and sale of medical marijuana in Rhode Island. Under the terms of the SIRA, the Company would pay \$300,000 in cash and \$700,000 in convertible debt instruments. The transaction has received regulatory approval by the State of Rhode Island. In connection with the SIRA, the Company paid a \$50,000 non-refundable deposit.
- The Company signed Membership Interest Purchase Agreements ("MIPAs") to acquire all of the issued and outstanding member equity of two limited liability corporations in Nevada, which are involved in the cultivation, production, and sale of medical marijuana in Caliente, Nevada and which have applied for registration to participate in the cultivation, production and sale of recreational marijuana in Caliente, Nevada. Under the terms of the MIPAs, the Company would pay a total of \$1,500,000 in cash and \$2,500,000 in convertible debt instruments. The transaction is subject to regulatory approval by the state Nevada. In connection with the MIPAs, the Company paid non-refundable deposits totaling \$550,000.

- The Company signed an Amended and Restated Membership Interest and Stock Purchase Agreement ("MISPA") to acquire all of the issued and outstanding member equity two limited liability corporations and two companies, which are involved in the cultivation, manufacturing, and distribution of medical marijuana in Arizona. Under the terms of the MISPA, the Company would pay \$10,000,000 in cash and \$5,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Arizona department of Health and Safety. In connection with the MISPA, the Company paid non-refundable deposits totaling \$650,000.
- The Company signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of a Puerto Rico company, which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, the Company would pay \$900,000 in cash and \$900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico. In connection with the SPA, the Company paid a \$25,000 non-refundable deposit.
- The Company signed a LOI to acquire all of the issued and outstanding equity interests of a Massachusetts based company for the right to acquire certain real property and the exclusive right to manage the operations of the company, which is preparing to be engaged in the business of medical and recreational (i.e. adult use) marijuana cultivation, production and sale in Massachusetts. Under the terms of the LOI, the Company would pay \$1,000,000 in cash and \$9,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Department of Public Health and the Cannabis Control Commission. In connection with the LOI, the Company paid a \$50,000 non-refundable deposit.
- The Company signed a LOI to acquire certain assets including the right to manage the operations of a nonprofit corporation engaged in the business of medical marijuana cultivation, production, and dispensary operations in New Mexico. Under the terms of the LOI, the Company would pay \$2,000,000 (plus certain expenses related to a new cultivation facility) in cash and \$2,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by all applicable regulatory authorities. In connection with the LOI, the Company paid non-refundable deposits totaling \$250,000
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in Santa Ana, CA. Under the terms of the LOI, the Company would pay \$15,300,000 in cash and \$4,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion from a nonprofit corporation to a for-profit limited liability company and regulatory approval by all applicable regulatory authorities.

- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in San Francisco, CA. Under the terms of the LOI, the Company would pay \$23,300,000 in cash and \$5,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion of the nonprofit corporation to a for-profit company and regulatory approval by all applicable regulatory authorities.
- The Company signed a Membership Interest Purchase Agreement ("MIPA"), with a company controlled by a related party, whereby it acquired all of the issued and outstanding membership interests in the company, which conducts hemp research in Minnesota. In connection with the MIPA, the Company issued \$50,000 in convertible debt instruments.
- Effective January 1, 2018, the Company granted a total of 222,100 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$5.79 per share until January 1, 2028.
- Effective May 1, 2018, the Company granted a total of 323,300 incentive stock options to certain employees and consultants. 150,000 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2028. The remaining 173,300 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2023.
- Effective October 1, 2018, the Company granted a total of 40,000 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until October 1, 2028.
- Effective November 15, 2018, the Company granted a total of 2,500 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until November 5, 2028.
- Effective December 21, 2018, the Company granted a total of 152,200 incentive stock options to certain employees. The options are exercisable into common shares at a price of \$10.00 per share until December 21, 2028.
- On January 29, 2019, Ohio Medical Solutions, Inc. acquired a commercial property in Akron, Ohio for \$550,000 in cash.
- On February 27, 2019 the Company entered into a sale and leaseback transaction for a manufacturing facility in Ohio whereby the Company plans to sell the facility for \$600,000. The lease agreement is for 15 years with two options to extend for an additional five years respectively.
- On February 13, 2019, the Company entered into a Business Combination Agreement with Darien Business Development Corp. ("Darien"), whereby the Company agreed to complete a reverse take-over transaction whereby Darien would acquire the Company and the shareholders of the Company would become the controlling shareholders of Darien (the "Transaction"). Completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of a financing. There can be no assurance that the Transaction will be completed as proposed or at all.

- In connection with the Business Combination Agreement, the Company is completing a brokered and non-brokered private placement of Subscription Receipts at a price of \$4.25 per Subscription Receipt for gross proceeds of approximately \$51 million. Each Subscription Receipt will be automatically exchanged for one common share immediately prior to and in connection with the completion of the Business Combination without payment of additional consideration or further action on the part of the holder. In connection with the brokered and nonbrokered offerings, the Company is paying aggregate cash fee to the Agents equal to \$3,241,738 and the Agents will be granted an aggregate of 763,111 compensation warrants. Following the closing of the business combination, each compensation warrant is exercisable for one Subordinate Voting Share at \$4.25 per share for a period of 24 months following the effective date of the Business Combination. In addition, the Company will pay a financial advisory fee of \$415,000.

Changes in or Adoption of Accounting Practices

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

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. Management has determined this will not have a significant impact on the financial statements other than disclosure.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018. Management has determined this will not have a significant impact on the financial statements.

IFRS 16, Leases

IFRS 16 Leases: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard.

IFRS 23, Uncertainty over Income Tax Treatments

IFRS 23 Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

CRITICAL ACCOUNTING ESTIMATES

The Company 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 Company'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 consolidated 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.

Biological Assets

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimated fair rate and compares the inventory cost to estimated net realizable value.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Corporation uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, income tax payable, short-term notes 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 Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held on hand and with state banks (\$2,595,965 and \$2,093,876 cash on hand as of December 31, 2017 and 2016, respectively), from which management believes the risk of loss is remote. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Minnesota, New York, and Pennsylvania with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

Liquidity Risk

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

Market Risk

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. The results of the Company's operations are subject to currency transaction risks.

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.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

VIREO HEALTH, LLC

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017

(Expressed in United States Dollars)

MD&A of Vireo Health, LLC

This management discussion and analysis (“MD&A”) of the financial condition and results of operations of Vireo Health, LLC (the “Company” or “Vireo”) is for the three and nine months ended September 30, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the Company’s unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 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”, identified in the “Risks and Uncertainties” section of this MD&A. As a result of many factors, the Company’s actual results may differ materially from those anticipated in these forward-looking statements and information.

OVERVIEW OF THE COMPANY

Vireo is one of America’s leading multi-state cannabis companies. Vireo is physician-led and dedicated to providing patients with high quality cannabis-based products and compassionate care. Vireo cultivates cannabis in environmentally friendly greenhouses, manufactures pharmaceutical-grade cannabis extracts, and sells its products at both company-owned and third-party dispensaries to qualifying patients. Collectively, Vireo currently serves thousands of customers each month.

Vireo has a strong track record competing in merit-based licensing processes, having won licenses in some of the most selective state-based markets – Minnesota, New York, and Pennsylvania. While not yet profitable, Vireo had average monthly revenues of \$1.4 million during the nine months ended September 30, 2018. Vireo’s current facility footprint includes three manufacturing facilities (located in Minnesota, New York, and Pennsylvania) and eight dispensaries (four in New York and four in Minnesota).

Vireo is also active in the industrial hemp arena, with a license in New York where the Company is building a hemp processing facility.

Vireo intends to significantly expand its footprint into new states by participating in the competitive application process of such states and by acquiring licensees.

Operating Segments

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment is the manufacturing and sales of refined cannabis products, which has operations in Minnesota, New York, and Pennsylvania.

As of the three months ended September 30, 2018, Vireo has operating revenue in three markets: Minnesota, New York and Pennsylvania.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited consolidated financial statements of the Company for the three and nine months ended September 30, 2018 and 2017.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	As at and for the			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Total Revenues, net of discounts	\$ 4,924,238	\$ 3,082,861	\$12,831,828	\$ 7,594,248
Cost of Goods Sold (excluding biological assets)	\$ 1,985,709	\$ 867,345	\$ 5,648,828	\$ 2,753,719
Gross Profit	\$ 5,058,620	\$ 2,697,460	\$11,419,040	\$ 5,183,474
Total Expenses	\$ 2,966,949	\$ 1,907,604	\$ 8,559,858	\$ 5,704,435
Other Expense	\$ 526,781	\$ 99,020	\$ 1,283,914	\$ 182,428
Income (Loss) Before Provision for Income Taxes	\$ 1,564,890	\$ 690,836	\$ 1,575,269	\$ (703,389)
Total Assets	\$62,803,055	\$ 28,685,645	\$62,803,055	\$ 28,685,645
Long-Term Liabilities	\$24,321,213	\$ 1,129,159	\$24,321,213	\$ 1,129,159

Three Months Ended September 30, 2018

Revenue

Revenue for the three months ended September 30, 2018 was \$4,924,238, an increase of \$1,841,377, or 60% compared to revenue of \$3,082,861 for three months ended September 30, 2017 due to revenue contributions across retail business units from New York and Minnesota. Key performance drivers are: increased patient counts from the New York and Minnesota businesses of Vireo's portfolio.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three month period ended September 30, 2018 was \$1,985,709, an increase of \$1,118,364 or 129% over cost of goods sold, for three month period ended September 30, 2017, driven by the increase in sales and patient counts in New York and Minnesota.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value, less costs to sell. The biological assets are transferred to inventory on harvest 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 recorded to cost of sales.

Biological asset transformation totaled a net gain of \$2,120,091, for the three month period ended September 30, 2018, an increase of \$1,638,147 or 340% from the comparative three month period ended September 30, 2017.

Gross Profit

Gross profit before biological asset adjustments for the three month period ended September 30, 2018 was \$2,938,529, representing a gross margin on the sale of medicinal cannabis, of 60%. This is compared to gross profit before biological asset adjustments for the three month period ended September 30, 2017 of \$2,215,516 or a 72% gross margin.

Gross profit after net gains on biological asset transformation for the three month period ended September 30, 2018 was \$5,058,620, representing a gross margin of 103%, compared with gross profit after biological asset transformation of \$2,697,460 or 87% gross margin, for the prior three month period ended September 30, 2017.

Total Expenses

Total expenses for the three month period ended September 30, 2018 were \$2,966,949, an increase of \$1,059,345, compared to total expenses of \$1,907,604 for the three month period ended September 30, 2017, which represents 61% of revenue for the three month period ended September 30, 2018 compared to 62% of revenue for the same period of the prior year. Increase in total expenses was attributable to an increase in salaries and wages, equity compensation, professional fees and general and administrative expenses of \$1,059,345 which represented an increase over 2017 of 57%.

Total Other Income (Expense)

Total other expenses for three month period ended September 30, 2018 was \$526,781, an increase of \$427,761 compared to three month period ended September 30, 2017. Increase in other expenses is attributable to interest expense from the financing leases of the cultivation facilities in New York, Minnesota, Pennsylvania.

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 the three months ended September 30, 2018, Federal and State income tax expense totaled \$1,550,000 compared to \$Nil for income taxes for the three months ended September 30, 2017. Deferred tax expense of \$700,000 is included in the \$1,550,000 for the current period. This expense is driven by the fair value of Warrants in addition to biological assets.

Loss From Operations

Net operating loss before other income, provision for income taxes for three months ended September 30, 2018 was \$1,564,890, an increase of \$874,054 for three months ended September 30, 2017.

Nine Months Ended September 30, 2018

Revenue

Revenue for the nine months ended September 30, 2018 was \$12,831,828, an increase of \$5,237,580, or 69% compared to revenue of \$7,594,248 for nine months ended September 30, 2017 due to revenue contributions across retail business units from New York and Minnesota. Key performance drivers are: increased patient counts from the New York and Minnesota businesses of Vireo's portfolio. Increased patient counts were partially the result of starting delivery service in New York and an increase in qualifying conditions in Minnesota.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the nine month period ended September 30, 2018 was \$5,648,828, an increase of \$2,895,109 or 105% over cost of goods sold, for the nine month period ended September 30, 2017, driven by the increase in sales and patient counts in New York and Minnesota.

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. The biological assets 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 recorded 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 Company.

Biological asset transformation totaled a net gain of \$4,236,040, for the nine month period ended September 30, 2018, and increase of \$3,893,095 or 1135% from prior nine month period ended September 30, 2017.

Gross Profit

Gross profit before biological asset adjustments for the nine month period ended September 30, 2018 was \$7,183,000, representing a gross margin on the sale of medicinal cannabis, of 56%. This is compared to gross profit before biological asset adjustments for the nine month period ended September 30, 2017 of \$4,840,529 or a 64% gross margin.

Gross profit after net gains on biological asset transformation for the nine month period ended September 30, 2018 was \$11,419,040, representing a gross margin of 89%, compared with gross profit after biological asset transformation of \$5,183,474 or 68% gross margin, for the nine month period ended September 30 2017.

Total Expenses

Total expenses for the nine month period ended September 30, 2018 were \$8,559,858, an increase of \$2,855,423, compared to total expenses of \$5,704,435 for the nine month period ended September 30, 2017, which represents 67% of revenue for the nine month period ended September 30, 2018 compared to 75% of revenue for the comparative nine month period. Increase in total expenses was attributable to an increase in salaries and wages, equity compensation, professional fees, and general and administrative expenses of \$2,855,423 which represented an increase over 2017 of 50%.

Total Other Income (Expense)

Total other expenses for the nine month period ended September 30, 2018 was \$1,283,914, an increase of \$1,101,486 compared to the nine month period ended September 30, 2017. Increase in other expenses is attributable to interest expense from the financing leases of the cultivation facilities in New York, Minnesota, and Pennsylvania.

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 nine months ended September 30, 2018, Federal and State income tax expense totaled \$3,470,000 compared to \$Nil for the nine months ended September 30, 2017. Deferred tax expense of \$1,335,000 is included in the \$3,470,000 for the current period. This expense is driven by the fair value of biological assets.

Drivers of Results of Operations

Revenue

The Company derives its revenue from its retail business in which it manufactures and sells to end consumers in its retail stores. For the nine months ended September 30, 2018 and 2017 100% of the revenue was generated from retail business. Revenue was contributed approximately 58% from New York operations, 42% from Minnesota operations and 0% from Pennsylvania operations for the nine months ended September 30, 2018 and 2017.

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, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, and allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs. Cannabis costs are affected by various state regulations that limit 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 nine months ended September 30, 2018, the Company continued to be focused on executing sustainable profitable growth of the Company's base business while pursuing national expansion. Vireo expects to continue its growth strategy for the foreseeable future as the Company expands its footprint within its current markets with acquisitions and partnerships and scales resources into new markets.

In the markets in which Vireo is already operational, the Company expects to realize gradual price compression as these state markets mature which will place downward pressure on both retail gross margins. However, the Company's current production capacity has not been fully realized and it is expected that price compression at the retail level will be offset by the scalability of the production facilities and continued realization of significant distribution market share.

Total Expenses

Total expenses other than the cost of goods sold consist of selling costs to support customer relationships and marketing and branding activities. It also includes a significant investment in the corporate infrastructure required to support ongoing business.

Selling costs generally correlate to revenue. As a percentage of sales, the Company expects selling costs to remain relatively flat in the more established operational markets (Minnesota and New York) and increase in the up and coming markets as business continues to grow (Pennsylvania). The increase is expected to be driven primarily by the growth of our Wholesale channels and the ramp up from pre-revenue to sustainable market share.

General and administrative expenses also include costs incurred at the corporate offices, primarily related to personnel costs, including salaries, benefits, and other professional service costs. The Company expects to continue to invest considerably in this area to support expansion plans and to support the increasing complexity of the cannabis business. Furthermore, the Company expects to incur acquisition and transaction costs related to these expansion plans and anticipates an increase in stock compensation expenses related to recruiting and hiring talent, along with legal and professional fees associated with becoming a publicly traded company.

Summary of Quarterly Results

The following table presents financial information for the most recently prepared quarters:

Period	Total Revenue	Net Effect of Changes in Fair Value of Biological Assets	Net Income (Loss)
Quarter Ended September 30, 2018	\$4,924,238	\$2,120,092	\$14,890
Quarter Ended June 30, 2018	\$4,229,115	\$2,327,560	\$62,463
Quarter Ended March 31, 2018	\$3,678,475	(\$211,612)	(\$1,972,085)
Quarter Ended December 31, 2017	\$3,272,816	\$259,875	\$272,700
Quarter Ended September 30, 2017	\$3,082,861	\$481,943	\$690,836
Quarter Ended June 30, 2017	\$2,618,463	\$857,884	\$680,897
Quarter Ended March 31, 2017	\$1,892,924	(\$996,882)	(\$2,075,122)
Quarter Ended December 31, 2016	\$1,602,887	\$1,471,062	\$1,438,789

Revenues increased quarter over quarter through the period ended September 30, 2018, primarily due to the number of increased number of patients since December 31, 2016.

For each quarter presented, there were no other significant factors, economically or industry wide relating to pricing, competition, or buying patterns that contributed to the noted significant variances.

Net Income/(Loss) has fluctuated quarter over quarter largely due to biological asset valuations.

Liquidity, Financing Activities During the Period, and Capital Resources

As at September 30, 2018, the Company had total current liabilities of \$1,546,454 (\$1,516,300 as at December 31, 2017) and cash of \$15,212,164 (\$2,595,965 as at December 31, 2017) to meet its current obligations. As at September 30, 2018, the Company had working capital of \$38,612,075 up \$19,518,330 compared to December 31, 2017 driven mainly by a sale and lease back transaction of the cultivation facility in Pennsylvania and the close of a Series D equity raise.

During the nine months ended September 30, 2018 the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment for gross proceeds of \$5,763,330 and entered into a leaseback transaction that runs through 2033.

The Company issued 383,300 series D shares for gross proceeds of \$17,248,500. In connection with the financing, the Company incurred share issuance costs of \$1,355,275 and issued compensation options and advisory warrants to acquire an additional 11,930 series D shares at \$45 per share.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities was (\$2,918,793) for the nine months ended September 30, 2018, a decrease of \$1,982,172, or 212%, compared to (\$936,620) for the nine months ended September 30, 2017. The increase in net cash used in operating activities was primarily due to inventory and biological assets.

Cash Flow from Investing Activities

Net cash from investing activities was \$456,341 for the nine months ended September 30, 2018, an increase of 824,497, or -224%, compared to \$368,156 used in investing activities for the nine months ended September 30, 2017. The increase in net cash from investing activities was due to sale of the Pennsylvania cultivation facility for \$4,760,408 during the fiscal nine month period ended September 30, 2018.

Cash Flow from Financing Activities

Net cash provided by financing activities was \$15,078,651 for the nine months ended September 30, 2018, an increase of \$14,378,338, or 2,053%, compared to \$700,313 for the nine months ended September 30, 2017. The increase in net cash provided by financing activities was due to the issuance of Series D Preferred Stock during the nine months ended September 30, 2018.

Additional Information

Outstanding Share Data:

As at September 30, 2018 and the date of this report, the Company has the following outstanding securities:

- 1) Common shares – 1,425,416 as at September 30, 2018, and 2,206,270 as of the current date.
- 2) Share purchase warrants – 27,402 as at September 30, 2018 and 27,402 as of the current date.
- 3) Stock options – 545,400 as at September 30, 2018, and 740,400 as of the current date.

The Company has the following stock options for Common Stock Shares outstanding at the current date:

- 222,100 stock options outstanding with an exercise price of \$5.79 per share, expiring on January 1, 2028
- 153,300 stock options outstanding with an exercise price \$10.00 per share, expiring on May 1, 2028
- 170,000 stock options outstanding with an exercise price \$10.00 per share, expiring on May 1, 2023
- 40,000 stock options outstanding with an exercise price of \$10.00 per share, expiring on October 1, 2028
- 2,500 stock options outstanding with an exercise price of \$10.00 per share, expiring on November 5, 2028
- 152,500 stock options outstanding with an exercise price of \$10.00 per share, expiring on December 21, 2028

Off-Balance Sheet Arrangements

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

Management's Responsibility for Financial Information

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board of Directors. The accompanying audited financial statements are prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

Transactions Between Related Parties

During the nine months ended September 30, 2018 and 2017 transactions with related parties consist of:

- Salaries and wages paid to key management personnel (CEO, COO, and CFO) in the amount of \$528,659 for the nine months ended September 30, 2018 and \$616,248 for the nine months ended September 30, 2017.
- Share based compensation paid to key management personnel (CEO, COO and CFO) in the amount of \$893,633 for the nine months ended September 30, 2018 and \$0 for the nine months ended September 30, 2017.
- At September 30, 2018 \$1,687,316 (December 31, 2017 – \$146,893) was due from related parties. These amounts are unsecured, non-interest bearing, and due on demand. These amounts were due from Dorchester Capital, LLC and its subsidiary. Dorchester Capital, LLC has substantially similar management and ownership as the Company. Kyle Kingsley, MD and Amber Shimpa are executives at the Company as well as managing members at Dorchester Capital, LLC.

The Company considers key management personnel to consist of directors and certain members of executive management.

Subsequent Transactions

- The Company entered into a Membership Purchase Agreement to acquire all of the issued and outstanding membership units of a Maryland related to Vireo, which has applied for a cannabis cultivation, manufacturing and dispensary license in Maryland. As consideration for the membership units, the Company granted 72,338 series C-4 preferred stock and 8,400 series C-5 preferred stock with an assigned value of \$3,600,000.
- The Company signed a Stock Investment and Redemption Agreement ("SIRA") to acquire all of the issued and outstanding common stock of a Rhode Island company which has applied for registration to participate in the cultivation, production and sale of medical marijuana in Rhode Island. Under the terms of the SIRA, the Company would pay \$300,000 in cash and \$700,000 in convertible debt instruments. The transaction has received regulatory approval by the State of Rhode Island. In connection with the SIRA, the Company paid a \$50,000 non-refundable deposit.
- The Company signed Membership Interest Purchase Agreements ("MIPAs") to acquire all of the issued and outstanding member equity of two limited liability corporations in Nevada, which are involved in the cultivation, production, and sale of medical marijuana in Caliente, Nevada and which have applied for registration to participate in the cultivation, production and sale of recreational marijuana in Caliente, Nevada. Under the terms of the MIPAs, the Company would pay a total of \$1,500,000 in cash and \$2,500,000 in convertible debt instruments. The transaction is subject to regulatory approval by the state Nevada. In connection with the MIPAs, the Company paid non-refundable deposits totaling \$550,000.
- The Company signed an Amended and Restated Membership Interest and Stock Purchase Agreement ("MISPA") to acquire all of the issued and outstanding member equity two limited liability corporations and two companies, which are involved in the cultivation, manufacturing, and distribution of medical marijuana in Arizona. Under the terms of the MISPA, the Company would pay \$10,000,000 in cash and \$5,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Arizona department of Health and Safety. In connection with the MISPA, the Company paid non-refundable deposits totaling \$650,000.
- The Company signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of a Puerto Rico company, which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, the Company would pay \$900,000 in cash and \$900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico. In connection with the SPA, the Company paid a \$25,000 non-refundable deposit.

- The Company signed a LOI to acquire all of the issued and outstanding equity interests of a Massachusetts based company for the right to acquire certain real property and the exclusive right to manage the operations of the company, which is preparing to be engaged in the business of medical and recreational (i.e. adult use) marijuana cultivation, production and sale in Massachusetts. Under the terms of the LOI, the Company would pay \$1,000,000 in cash and \$9,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Department of Public Health and the Cannabis Control Commission. In connection with the LOI, the Company paid a \$50,000 non-refundable deposit.
- The Company signed a LOI to acquire certain assets including the right to manage the operations of a nonprofit corporation engaged in the business of medical marijuana cultivation, production, and dispensary operations in New Mexico. Under the terms of the LOI, the Company would pay \$2,000,000 (plus certain expenses related to a new cultivation facility) in cash and \$2,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by all applicable regulatory authorities. In connection with the LOI, the Company paid non-refundable deposits totaling \$250,000
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in Santa Ana, CA. Under the terms of the LOI, the Company would pay \$15,300,000 in cash and \$4,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion from a nonprofit corporation to a for-profit limited liability company and regulatory approval by all applicable regulatory authorities.
- The Company signed a LOI to acquire the entire equity ownership interest in a California based corporation. The corporation holds, among other assets, a license to operate a marijuana dispensary in San Francisco, CA. Under the terms of the LOI, the Company would pay \$23,300,000 in cash and \$5,700,000 in convertible debt instruments. The transaction is subject to certain conditions being met, including the successful conversion of the nonprofit corporation to a for-profit company and regulatory approval by all applicable regulatory authorities.
- The Company signed a Membership Interest Purchase Agreement ("MIPA"), with a company controlled by a related party, whereby it acquired all of the issued and outstanding membership interests in the company, which conducts hemp research in Minnesota. In connection with the MIPA, the Company issued \$50,000 in convertible debt instruments.
- Effective January 1, 2018, the Company granted a total of 222,100 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$5.79 per share until January 1, 2028.

- Effective May 1, 2018, the Company granted a total of 323,300 incentive stock options to certain employees and consultants. 150,000 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2028. The remaining 173,300 options are exercisable into common shares at a price of \$10.00 per share until May 1, 2023.
- Effective October 1, 2018, the Company granted a total of 40,000 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until October 1, 2028.
- Effective November 15, 2018, the Company granted a total of 2,500 incentive stock options to certain employees and consultants. The options are exercisable into common shares at a price of \$10.00 per share until November 5, 2028.
- Effective December 21, 2018, the Company granted a total of 152,200 incentive stock options to certain employees. The options are exercisable into common shares at a price of \$10.00 per share until December 21, 2028.
- On January 29, 2019, Ohio Medical Solutions, Inc. acquired a commercial property in Akron, Ohio for \$550,000 in cash.
- On February 27, 2019 the Company entered into a sale and leaseback transaction for a manufacturing facility in Ohio whereby the Company plans to sell the facility for \$600,000. The lease agreement is for 15 years with two options to extend for an additional five years respectively.
- On February 13, 2019, the Company entered into a Business Combination Agreement with Darien Business Development Corp. ("Darien"), whereby the Company agreed to complete a reverse take-over transaction whereby Darien would acquire the Company and the shareholders of the Company would become the controlling shareholders of Darien (the "Transaction"). Completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of a financing. There can be no assurance that the Transaction will be completed as proposed or at all.
- In connection with the Business Combination Agreement, the Company is completing a brokered and non-brokered private placement of Subscription Receipts at a price of \$4.25 per Subscription Receipt for gross proceeds of approximately \$51 million. Each Subscription Receipt will be automatically exchanged for one common share immediately prior to and in connection with the completion of the Business Combination without payment of additional consideration or further action on the part of the holder. In connection with the brokered and nonbrokered offerings, the Company is paying aggregate cash fee to the Agents equal to \$3,241,738 and the Agents will be granted an aggregate of 763,111 compensation warrants. Following the closing of the business combination, each compensation warrant is exercisable for one Subordinate Voting Share at \$4.25 per share for a period of 24 months following the effective date of the Business Combination. In addition, the Company will pay a financial advisory fee of \$415,000.

Changes in or Adoption of Accounting Practices

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

IFRS 16, Leases

IFRS 16 Leases: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard.

IFRS 23, Uncertainty over Income Tax Treatments

IFRS 23 Uncertainty over Income Tax Treatments: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company is currently assessing the impact of IFRIC 23 on its consolidated statements.

CRITICAL ACCOUNTING ESTIMATES

The Company 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 Company's condensed interim 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 consolidated 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.

Biological Assets

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimated fail rate and compares the inventory cost to estimated net realizable value.

Share-based Compensation

The Company uses the Black-Scholes option pricing model to measure share-based compensation. The Company's estimate of share-based payments is dependent on measurement inputs including the share price on measurement date, exercise price of the option, volatility, risk-free rate, expected dividends, and the expected life.

Deferred Income Taxes

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company 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 Company 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 Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Corporation uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

Financial Instruments and Financial Risk Management

The Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, income tax payable, short-term notes 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 Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held on hand and with state banks (\$15,212,164 as of September 30, 2018 and \$2,595,965 as of December 31, 2017), from which management believes the risk of loss is remote. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Minnesota, New York, and Pennsylvania with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

Liquidity Risk

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

Market Risk

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. The results of the Company's operations are subject to currency transaction risks.

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.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

Other Risks

The uncertain U.S. regulatory landscape and enforcement related to cannabis.

SCHEDULE "E"
CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS OF THE RESULTING ISSUER

(See attached)

DARIEN BUSINESS DEVELOPMENT CORP.

Pro Forma Consolidated Financial Statements

(Unaudited)

DARIEN BUSINESS DEVELOPMENT CORP.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(Unaudited)

(Expressed in US Dollars)

	DARIEN as at September 30, 2018	VIREO as at September 30, 2018	Acquisitions (Note 4)	Notes	Pro Forma Adjustments	Pro Forma Consolidated
	(\$)	(\$)	(\$)		(\$)	(\$)
ASSETS						
Current assets						
Cash	146,195	15,212,164	2,295,117	5(b) 5(c) 4(b) 4(c) 4(d) 4(e)	(175,000) 46,841,117 (10,000,000) (1,500,000) (300,000) (900,000)	51,619,593
Receivables	13,540	1,255,691	199,949		-	1,469,180
Biological assets	-	4,303,082	3,231,626		-	7,534,708
Inventory	-	18,962,944	539,809		-	19,502,753
Prepaid expenses and deposits	11,250	424,648	443,435		-	879,333
Deferred income taxes	-	-	7,395		-	7,395
	170,985	40,158,529	6,717,331		33,966,117	81,012,962
Deposits	-	1,832,842	306,001		-	2,138,843
Deferred loss on Sales Leaseback	-	94,697	-		-	94,697
Due from related party	-	1,687,316	-	4(a)	(1,687,316)	-
Property and equipment	1,198	19,011,671	2,363,738		-	21,376,607
Intangible assets	-	-	-	4(a) 4(b) 4(c) 4(d) 4(e)	1,706,896 12,709,470 4,000,000 1,000,000 2,238,896	21,655,262
	172,183	62,785,055	9,387,070		53,934,063	126,278,371
Current liabilities						
Accounts payable and accrued liabilities	2,487	1,484,454	321,549		-	1,808,490
Deferred lease inducements	-	249,082	-		-	249,082
Taxes payable	-	62,000	-		-	62,000
	2,487	1,795,536	321,549		-	2,119,572
Other liabilities	-	130,929	12,034		-	142,963
Capital lease obligations	-	12,221,417	-		-	12,221,417
Deferred income taxes	-	5,845,000	-	4(b)	2,884,417	8,729,417
Deferred leasehold inducements	-	3,300,331	-		-	3,300,331
Due to related parties	-	-	2,424,332	4(a)	(1,687,316)	737,016
Loans payable	-	1,010,000	-		-	1,010,000
	2,487	24,303,213	2,757,915		1,197,101	28,260,716
Shareholders' equity						
Share capital	11,255,888	38,219,342	5,255,078	5(b) 5(b) 5(c) 5(c) 4(a) 4(a) 4(b) 4(b) 4(c) 4(d) 4(e)	3,000,000 (11,255,888) 46,841,117 (1,663,204) 3,600,000 (3,669,669) (1,585,409) 5,000,000 2,500,000 700,000 900,000	99,097,255
Reserves	927,341	2,157,232	-	5(b) 5(c)	(927,341) 1,663,204	3,820,436
Deficit	(12,013,533)	(1,894,732)	1,374,077	5(b) 5(b) 4(a) 4(b) 4(e)	12,013,533 (3,005,304) 1,776,565 (3,589,538) 438,896	(4,900,036)
	169,696	38,481,842	6,629,155		52,736,962	98,017,655
	172,183	62,785,055	9,387,070		53,934,063	126,278,371

DARIEN BUSINESS DEVELOPMENT CORP.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(Unaudited)

(Expressed in US Dollars)

	DARIEN 9 months ended September 30, 2018	VIREO 9 months ended September 30, 2018	Acquisitions (Note 4)	Notes	Pro Forma Adjustments	Pro Forma Consolidated
	(\$)	(\$)	(\$)		(\$)	(\$)
Revenue	-	12,831,828	4,818,440		-	17,650,268
Cost of Sales	-	(5,648,828)	(2,952,331)		-	(8,601,159)
	-	7,183,000	1,866,109		-	9,049,109
Realized fair value amounts included in inventory sold	-	(9,513,880)	(759,770)		-	(10,273,650)
Unrealized Fair value gain on growth of biological assets	-	13,749,920	3,255,461		-	17,005,381
	-	11,419,040	4,361,800		-	15,780,840
Expenses						
Depreciation	218	380,076	34,438		-	414,732
Professional fees	10,039	1,236,802	693,904		-	1,940,745
Salaries and wages	-	3,220,029	830,636		-	4,050,665
Selling, general and administrative	29,955	2,223,114	311,302		-	2,564,371
Share-based compensation	-	1,499,837	-		-	1,499,837
	(40,212)	(8,559,858)	(1,870,280)		-	(10,470,350)
Loss on sale of property and equipment	-	(21,361)	-		-	(21,361)
Interest expense	-	(1,267,749)	(89,085)		-	(1,356,834)
Interest income	-	319	11,300		-	11,619
Other expense	-	4,877	-		-	4,877
Listing expense	-	-	-	5(b)	(3,005,304)	(3,005,304)
	-	(1,283,914)	(77,785)		(3,005,304)	(4,367,003)
Net income before taxes	(40,212)	1,575,268	2,413,735		(3,005,304)	943,487
Provision for income taxes						
Current	-	(2,135,000)	-		-	(2,135,000)
Deferred	-	(1,335,000)	-		-	(1,335,000)
	-	-	-		-	-
Loss and comprehensive loss for the period	(40,212)	(1,894,732)	2,413,735		(3,005,304)	(2,526,513)

DARIEN	VIREO	Acquisitions	Notes	Pro Forma	Pro Forma
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DARIEN BUSINESS DEVELOPMENT CORP.

Pro Forma Consolidated Statement of Loss and Comprehensive Loss

(Unaudited)

(Expressed in US Dollars)

	12 months ended December 31, 2017	12 months ended December 31, 2017	(Note 4)	Adjustments	Consolidated
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	-	10,867,064	6,001,513	-	16,868,577
Cost of Sales	-	(5,104,379)	(3,802,144)	-	(8,906,523)
	-	5,762,685	2,199,369	-	7,962,054
Realized fair value amounts included in inventory sold	-	(5,840,818)	(2,538,082)	-	(8,378,900)
Unrealized Fair value gain on growth of biological assets	-	6,443,637	2,792,039	-	9,235,676
	-	6,365,504	2,453,326	-	8,818,830
Expenses					
Depreciation	357	213,356	-	-	213,713
Professional fees	18,761	1,013,006	582,676	-	1,614,443
Salaries and wages	-	3,019,105	582,499	-	3,601,604
Selling, general and administrative	60,080	2,159,192	1,177,609	-	3,396,881
	(79,198)	(6,404,659)	(2,342,784)	-	(8,826,641)
Loss on sale of property and equipment	-	(398)	-	-	(398)
Interest expense	-	(381,960)	(8,524)	-	(390,484)
Interest income	-	1,275	-	-	1,275
Other expense	-	(10,451)	-	-	(10,451)
Listing expense	-	-	-	(3,005,304)	(3,005,304)
	-	(391,534)	(8,524)	(3,005,304)	(3,405,362)
Net income before taxes	(79,198)	(430,689)	102,018	(3,005,304)	(3,413,173)
Provision for income taxes					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Loss and comprehensive loss for the period	(79,198)	(430,689)	102,018	(3,005,304)	(3,413,173)

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

NOTE 1 – BASIS OF PRESENTATION

Darien Business Development Corp. (the “Company” or “Darien”) was incorporated under the Alberta Business Corporations Act on November 23, 2004. The Company’s main activities during the nine months ended September 30, 2018 were maintaining its public listing and pursuing potential business opportunities as they arise. The Company is listed on the TSX Venture Exchange’s NEX board under the trading symbol “DBD.H”.

The Company’s head office is located at Suite 410, 1040 West Georgia Street, Vancouver, BC V6E 4H1.

On February 13, 2019, the Company signed a Business Combination Agreement (the “Agreement”) to complete a reverse takeover transaction by way of plan of arrangement (the “Transaction”) with Vireo Health, Inc. (“Vireo”), a privately held company. Vireo was organized as a limited liability company under Minnesota law on February 4, 2015 and converted to a Delaware corporation on January 1, 2018. Vireo is a physician-led company which has three operational medical-cannabis subsidiaries, Minnesota Medical Solutions LLC, Pennsylvania Medical Solutions LLC, and Vireo Health of New York LLC. Vireo’s subsidiary companies cultivate cannabis in environmentally friendly greenhouses, manufacture pharmaceutical-grade cannabis extracts in state-of-the-art labs, and sell their products at both company-owned and third-party dispensaries to qualifying patients.

As a result of the Transaction, the former shareholders of Vireo will acquire control of the Company, and the Transaction will be accounted for as a reverse take-over that does not constitute a business for accounting purposes, in accordance with IFRS 2, Share-Based Payment. Vireo is deemed to be the acquiring company and its assets and liabilities, equity and historical operating results are included at their historical carrying values, and the net assets of Darien will be recorded at fair value as at the date of the Transaction. Transaction costs that were incurred in connection with the Transaction, other than costs associated with the financing, have been expensed as incurred.

The unaudited pro forma consolidated financial statements of the Company have been compiled from the following information and should be read in conjunction with the following:

1. The unaudited financial statements of Darien Business Development Corp. as at and for the nine month period ended September 30, 2018;
2. The audited financial statements of Darien Business Development Corp. as at and for the year ended December 31, 2017;
3. The unaudited financial statements of Vireo Health Inc. as at and for the nine month period ended September 30, 2018; and
4. The audited financial statements of Vireo Health Inc. as at and for the year ended December 31, 2017

The unaudited pro forma consolidated statement of financial position is intended to reflect the financial position of the Company as if the transactions had been effected on September 30, 2018. The unaudited statements of loss and comprehensive loss give effect as if the Transaction had been effected on January 1, 2018 and January 1, 2017 respectively. The unaudited pro forma consolidated statements of financial position and the unaudited pro forma consolidated statements of loss and comprehensive loss are not necessarily indicative of the financial position which would have resulted if the transaction had actually occurred on September 30, 2018, January 1, 2018, or January 1, 2017.

It is management’s opinion that the unaudited pro forma consolidated statement of financial position includes all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 4 and 5 in accordance with IFRS applied on a basis consistent with Vireo and Darien’s accounting policies.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma consolidated statement of financial position has been compiled using the significant accounting policies as set out in the audited financial statements of Vireo and the Company as described in Note 2 to their audited financial statements for the year ended December 31, 2017.

NOTE 3 – PROPOSED TRANSACTION

On February 13, 2019, the Company signed a Business Combination Agreement (the “Agreement”) with Vireo Health, Inc., (“Vireo”), whereby Vireo agreed to complete a reverse take-over transaction (the “Transaction”) pursuant to which Darien would acquire Vireo and the shareholders of Vireo would become the controlling shareholders of Darien. The Transaction is proposed to be completed in the following steps:

1. Darien would incorporate a Canadian Subsidiary (“Cdn SubCo”) and a United States Subsidiary (“US SubCo”).
2. A separate entity (“Cdn FinCo”) would be incorporated in order to complete a Subscription Receipt financing. Both U.S. and Canadian investors would receive Subscription Receipts and common shares of Cdn Finco issuable pursuant thereto.
3. Preferred stockholders in Vireo would become common stockholders of Vireo in accordance with the terms of the preferred stock.
4. Vireo would call a stockholder meeting to approve the transaction and related matters.
5. The Subscription Receipts would convert into common shares of Cdn FinCo (for U.S. and Canadian investors), immediately prior to the three cornered Canadian amalgamation.
6. Canadian shareholders of Vireo would have the option to exchange their shares of common stock for Subordinate Voting Shares. If they do not do so, they would go through the U.S. merger if approved appropriately by the stockholders.
7. A U.S. merger occurs between Vireo Health, Inc. and US SubCo, with the U.S. holders in Vireo receiving Multiple Voting Shares and Super Voting Shares (as applicable) in the Resulting Issuer, and any remaining Canadian holders in Vireo receiving Subordinate Voting Shares in the Resulting Issuer.
8. A Canadian three cornered amalgamation will occur, with the amalgamation of Darien, Cdn SubCo and FinCo, and holders receiving Subordinate Voting Shares in the Resulting Issuer (“AmalCo”).
9. AmalCo will be wound up, with its property being distributed to Darien (i.e. the proceeds of the financing)
10. Outstanding options in Vireo will be assumed/exchanged for options of Darien.

The completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of the Transaction Financing (Note 5c). There can be no assurance that the Transaction will be completed as proposed or at all.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

NOTE 4 – ACQUISITIONS

The following acquisitions are assumed to be completed by Vireo prior to the Transaction as described in Note 3:

	Dorchester Capital (Note 4a)	Arizona Natural Remedies, Inc. (Note 4b)	MJ Distributing (Note 4c)	High Gardens (Note 4d)	XAAS (Note 4e)	Acquisitions
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
ASSETS						
Current assets						
Cash	1,595,308	697,598	-	-	2,211	2,295,117
Receivables	-	199,949	-	-	-	199,949
Biological assets	-	3,231,626	-	-	-	3,231,626
Inventory	-	539,809	-	-	-	539,809
Prepaid expenses and deposits	345,901	34,034	-	-	63,500	443,435
Deferred income taxes	-	7,395	-	-	-	7,395
	1,941,209	4,710,411	-	-	65,711	6,717,331
Deposits	300,000	6,001	-	-	-	306,001
Property and equipment	1,363,688	1,000,050	-	-	-	2,363,738
	3,604,897	5,716,462	-	-	65,711	9,387,070
Current liabilities						
Accounts payable and accrued liabilities	12,443	309,106	-	-	-	321,549
	12,443	309,106	-	-	-	321,549
Other liabilities	12,034	-	-	-	-	12,034
Due to related parties	1,687,316	232,409	-	-	504,607	2,424,332
	1,711,793	541,515	-	-	504,607	2,757,915
Shareholders' equity						
Share capital	3,669,669	1,585,409	-	-	-	5,255,078
Deficit	(1,776,565)	3,589,538	-	-	(438,896)	1,374,077
	1,893,104	5,174,947	-	-	(438,896)	6,629,155
	3,604,897	5,716,462	-	-	65,711	9,387,070

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

NINE MONTHS ENDED SEPTEMBER 30, 2018

	Dorchester Capital (Note 4a)	Arizona Natural Remedies, Inc. (Note 4b)	MJ Distributing (Note 4c)	High Gardens (Note 4d)	XAAS (Note 4e)	Acquisitions
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	-	4,818,440	-	-	-	4,818,440
Cost of Sales	-	(2,952,331)	-	-	-	(2,952,331)
	-	1,866,109	-	-	-	1,866,109
Realized fair value amounts included in inventory sold	-	(759,770)	-	-	-	(759,770)
Unrealized Fair value gain on growth of biological assets	-	3,255,461	-	-	-	3,255,461
	-	4,361,800	-	-	-	4,361,800
Expenses						
Depreciation	3,802	30,636	-	-	-	34,438
Professional fees	470,130	223,774	-	-	-	693,904
Salaries and wages	51,041	779,595	-	-	-	830,636
Selling, general and administrative						
	309,152	2,150	-	-	-	311,302
	(834,125)	(1,036,155)	-	-	-	(1,870,280)
Interest expense	-	(89,085)	-	-	-	(89,085)
Interest income	-	11,300	-	-	-	11,300
	-	(77,785)	-	-	-	(77,785)
Net income	(834,125)	3,247,860	-	-	-	2,413,735

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

TWELVE MONTHS ENDED DECEMBER 31, 2017

	Dorchester Capital (Note 4a)	Arizona Natural Remedies, Inc. (Note 4b)	MJ Distributing (Note 4c)	High Gardens (Note 4d)	XAAS (Note 4e)	Acquisitions
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	-	6,001,513	-	-	-	6,001,513
Cost of Sales	-	(3,802,144)	-	-	-	(3,802,144)
	-	2,199,369	-			2,199,369
Realized fair value amounts included in inventory sold	-	(2,538,082)	-	-	-	(2,538,082)
Unrealized Fair value gain on growth of biological assets	-	2,792,039	-	-	-	2,792,039
	-	2,453,326	-	-	-	2,453,326
Expenses						
Depreciation	-	-	-	-	-	-
Professional fees	513,871	68,805	-	-	-	582,676
Salaries and wages	-	582,499	-	-	-	582,499
Selling, general and administrative						
	216,848	960,761	-	-	-	1,177,609
	(730,719)	(1,612,065)	-	-	-	(2,342,784)
Interest expense	-	(8,524)	-	-	-	(8,524)
Foreign exchange	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
	-	(8,524)	-	-	-	(8,524)
Net income	(730,719)	832,737	-	-	-	102,018

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

a) Acquisition of Dorchester Capital

Vireo entered into a Membership Purchase Agreement to acquire all of the issued and outstanding membership units of Dorchester Capital, LLC (“Dorchester”) a company related to Vireo which has applied for a cannabis cultivation, manufacturing, and dispensary license in Maryland. As consideration for the membership units, Vireo granted 72,338 series C-4 preferred stock and 8,400 series C-5 preferred stock with an assigned value of \$3,600,000.

The acquisition is considered to be an asset acquisition and as such, proceeds issued are allocated to the net identifiable assets acquired. The purchase price is allocated as follows:

	<u>Amount</u>
	(\$)
Fair value of Series C-4 preferred stock (72,338 x \$45.00)	3,255,210
Fair value of Series C-5 preferred stock (8,400 x \$41.05)	344,790
Transaction costs	
Total proceeds	<u>3,600,000</u>
Less: Net identifiable assets of the Dorchester	
Cash	1,595,308
Prepaid expenses and advances	345,901
Deposits	300,000
Property and equipment	1,363,688
Intangible asset	1,706,896
Accounts payable and accrued liabilities	(12,443)
Other liabilities	(12,034)
Due to related parties	<u>(1,687,316)</u>
Total net identifiable assets	<u>3,600,000</u>

On completion of the acquisition, intercompany amounts totaling \$1,687,316 would be eliminated on consolidation.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

b) Acquisition of Arizona Natural Remedies, Inc.

Vireo signed an Amended and Restated Membership Interest and Stock Purchase Agreement ("MISPA") to acquire all of the issued and outstanding member equity of Elephant Head Farm, LLC, Retail Management Associates, LLC, Live Fire, Inc. and Sacred Plant, Inc., (collectively referred to as "Arizona Natural Remedies") which are involved in the cultivation, manufacturing, and distribution of medical marijuana in Arizona. Under the terms of the MISPA, Vireo would pay \$10,000,000 in cash and \$5,000,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Arizona department of Health and Safety.

The acquisition is considered to be a business combination and as such, proceeds issued are allocated to the net identifiable assets acquired, with any excess allocated to goodwill. The purchase price is allocated as follows:

	<u>Amount</u>
	(\$)
Cash consideration	10,000,000
Convertible notes issued	5,000,000
Transaction costs	
Total proceeds	<u>15,000,000</u>
Less: Net identifiable assets of the Arizona Natural Remedies	
Cash	697,598
Accounts receivable	199,949
Biological assets	3,231,626
Inventory	539,809
Prepaid expenses and advances	34,034
Deferred income taxes	7,395
Deposits	6,001
Property and equipment	1,000,050
Intangible asset	12,709,470
Accounts payable and accrued liabilities	(309,106)
Deferred income taxes	(2,884,417)
Due to related parties	(232,409)
Total net identifiable assets	<u>15,000,000</u>

The convertible notes are convertible into shares of Vireo at the option of the either the holder or Vireo upon notification of the Transaction (Note 3) at a conversion price equal to Transaction Financing price (Note 5(c)) less a 30% discount. For purposes of these pro forma financial statements, it has been assumed that all convertible notes issued have been converted.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

c) Acquisition of MJ Distributing

Vireo signed Membership Interest Purchase Agreements ("MIPAs") to acquire all of the issued and outstanding member equity of MJ Distributing P132, LLC and MJ Distributing C201, LLC, (collectively referred to as "MJ Distributing") which are involved in the cultivation, production, and sale of medical marijuana in Caliente, Nevada and which have applied for registration to participate in the cultivation, production and sale of recreational marijuana in Caliente, Nevada. Under the terms of the MIPAs, Vireo would pay a total of \$1,500,000 in cash and \$2,500,000 in convertible debt instruments. The transaction is subject to regulatory approval by the state Nevada.

The acquisition is considered to be an asset acquisition and as such, proceeds issued are allocated to the net identifiable assets acquired. The purchase price is allocated as follows:

	<u>Amount</u>
	(\$)
Cash consideration	1,500,000
Convertible notes	2,500,000
Transaction costs	
Total proceeds	<u>4,000,000</u>
Less: Net identifiable assets of the MJ Distributing	
Intangible asset	<u>4,000,000</u>
Total net identifiable assets	<u><u>4,000,000</u></u>

The convertible notes are convertible into shares of Vireo at the option of the either the holder or Vireo upon notification of the Transaction (Note 3) at a conversion price equal to Transaction Financing price (Note 5(c)) less a 30% discount. For purposes of these pro forma financial statements, it has been assumed that all convertible notes issued have been converted.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

d) Acquisition of High Gardens

Vireo signed a Stock Investment and Redemption Agreement ("SIRA") to acquire all of the issued and outstanding common stock of High Gardens, Inc., which has applied for registration to participate in the cultivation, production and sale of medical marijuana in Rhode Island. Under the terms of the SIRA, Vireo would pay \$300,000 in cash and \$700,000 in convertible debt instruments. The transaction has received regulatory approval by the State of Rhode Island.

The acquisition is considered to be an asset acquisition and as such, proceeds issued are allocated to the net identifiable assets acquired. The purchase price is allocated as follows:

	<u>Amount</u>
	(\$)
Cash consideration	300,000
Convertible notes	700,000
Transaction costs	
Total proceeds	<u>1,000,000</u>
Less: Net identifiable assets of the High Gardens	
Intangible asset	<u>1,000,000</u>
Total net identifiable assets	<u>1,000,000</u>

The convertible notes are convertible into shares of Vireo at the option of the either the holder or Vireo upon notification of the Transaction (Note 3) at a conversion price equal to Transaction Financing price (Note 5(c)). For purposes of these pro forma financial statements, it has been assumed that all convertible notes issued have been converted.

e) Acquisition of XAAS

Vireo signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of common stock of XAAS Agro, Inc., which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, Vireo would pay \$900,000 in cash and \$900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico.

The acquisition is considered to be an asset acquisition and as such, proceeds issued are allocated to the net identifiable assets acquired. The purchase price is allocated as follows:

	<u>Amount</u>
	(\$)
Cash consideration	900,000
Convertible notes	900,000
Transaction costs	
Total proceeds	<u>1,800,000</u>
Less: Net identifiable assets of the XAAS	
Cash	2,211
Prepaid expenses and deposits	63,500
Intangible asset	2,238,896
Due to related parties	<u>(504,607)</u>
Total net identifiable assets	<u>1,800,000</u>

The convertible notes are convertible into shares of Vireo at the option of the either the holder or Vireo upon notification of the Transaction (Note 3) at a conversion price equal to Transaction Financing price (Note 5(c)). For purposes of these pro forma financial statements, it has been assumed that all convertible notes issued have been converted.

DARIEN BUSINESS DEVELOPMENT CORP.

Notes to the Pro Forma Financial Statements

As at September 30, 2018

(Unaudited)

(Expressed in US Dollars)

NOTE 5 – PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The financial statements of Darien for the nine months ended September 30, 2018 and the year ended December 31, 2017 are reported in Canadian dollars (“CAD”). The financial statements of Darien were translated from CAD to US Dollars at an exchange rate of 0.75.

The unaudited pro forma consolidated statement of financial position has been presented giving effect to the following assumptions and pro forma adjustments:

a) Darien share consolidation

Prior to the Transaction, the common shares of Darien will be consolidated such that the outstanding post-consolidated common shares of Darien will have an aggregate value of \$3,000,000, based on the issue price determined in the Transaction Financing (Note 5c).

b) Reverse Take-Over

The Transaction (Note 3) constitutes a reverse takeover for accounting purposes. Vireo is the acquiring company and as such, the former shareholders of Vireo will acquire control of Darien. Accordingly, the assets and liabilities of Vireo are included in the unaudited pro forma consolidated statement of financial position at their historic carrying values. The net assets of Darien are included in the unaudited pro forma consolidated statement of financial position at their fair values as at the date of acquisition. The historical values of Darien’s share capital, warrant reserve and deficit are eliminated. Darien will issue common shares in exchange for voting control of all of the issued and outstanding securities of Vireo. Any options issued in connection with the Transaction will be recorded at their fair value and form part of the purchase price. For purposes of these pro forma financial statements, it is assumed no options have been issued.

The purchase price is allocated as follows:

	<u>Amount</u>
Fair value of Darien shares (705,882 post-consolidated common shares at \$4.25 per share)	\$ 3,000,000
Transaction costs	175,000
	<u>3,175,000</u>
Less: Net assets of the Company	
Cash	\$146,195
Receivables	13,540
Prepaid expenses	11,250
Property and equipment	1,198
Accounts payable and accrued liabilities	(2,487)
Listing expense	<u>\$ 3,005,304</u>

c) Transaction Financing

The Company shall complete a minimum non-brokered private placement for estimated gross proceeds of \$50,000,000. In connection with the Transaction Financing, it is estimated that finders’ fees totaling \$3,158,883 will be paid in cash representing 3% of the gross proceeds raised from subscribers on the Presidents List and 7% on gross proceeds raised from remaining subscribers for net proceeds of \$46,841,117. The Company will issue agents warrants equal to 3% of the subscriptions issued on the Presidents List and 7% of the subscriptions issued from the remaining subscribers. The agent’s warrants will be exercisable at a price of \$4.25 per share for a period of two years.

The agent’s compensation options and agent’s warrants were valued at a total of \$1,663,204 using the following weighted average assumptions:

Risk free interest rate	1.26%	Share price	\$4.25
Expected volatility	100%	Strike price	\$4.25
Expected dividend yield	0%	Expected term	2 yrs
Expected forfeiture rate	0%	Fair value per warrant	\$2.237

NOTE 6 – INCOME TAXES

The pro forma effective statutory Canadian income tax rate applicable to the consolidated operations subsequent to the completion of the Transaction is approximately 26%.