VIREO HEALTH INTERNATIONAL, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND NINE-MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in United States Dollars)

MD&A of Vireo Health International, Inc.

This management discussion and analysis (“MD&A”) of the financial condition and results of operations of Vireo Health International, Inc., (the “Company” or “Vireo”) is for the three and nine months ended September 30, 2019 and 2018. 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, 2019 and 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.

The 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’s mission is to build the cannabis company of the future by bringing the best of medicine, engineering and science to the cannabis industry. Vireo’s physician-led team of over 400 employees provides best-in-class cannabis products and customer experience. Vireo cultivates cannabis in environmentally-friendly greenhouses, manufactures pharmaceutical-grade cannabis extracts, and sells its products at both company-owned and third-party dispensaries. The Company is currently licensed in ten states and a Commonwealth including Arizona, Maryland, Massachusetts, Minnesota, Nevada, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico, and Rhode Island.

The Company’s founder, Kyle Kingsley, M.D., 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.

On November 7, 2019, the Company named Bruce Linton to the role of Executive Chairman. As Executive Chairman, Mr. Linton will be actively involved in the Company's business. He will serve on the board of directors, work closely with Vireo CEO & Founder Kyle Kingsley, M.D., and spearhead the Company's strategic decision-making, capital markets activity and future partnerships.

Operating Segments

The Company operates in one reportable segment being the cultivation, production, and sale of cannabis. The Company cultivates, manufactures and distributes its cannabis products to third parties in wholesale markets and cultivates, manufactures and sells its cannabis products directly to approved patients in its own retail stores.

As of September 30, 2019, Vireo is licensed in ten states and a Commonwealth: Arizona, Maryland, Massachusetts, Minnesota, Nevada, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico, and Rhode Island. The Company has operating revenue in seven states: Arizona, Maryland, Minnesota, New Mexico, New York, Ohio and Pennsylvania. Retail revenues are derived from sales in eleven dispensaries throughout four states (Arizona -1, Minnesota - 4, New Mexico – 2 and New York - 4) while wholesale revenues are now derived from sales of products to third-parties in four states (Arizona, Maryland, New York, Ohio and Pennsylvania). The Company is also incurring start-up expenses related to buildout and pre-revenue operations in three states and a Commonwealth (Massachusetts, Nevada, Puerto Rico, and Rhode Island).

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2019 and 2018.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	For the Three Month Period Ended September 30, 2019	For the Three Month Period Ended September 30, 2018	For the Nine Month Period Ended September 30, 2019	For the Nine Month Period Ended September 30, 2018
Retail Revenue	$ 6,155,301	$ 4,870,294	$ 17,626,880	$ 12,777,884
Wholesale Revenue	$ 1,836,858	$ 53,944	$ 3,337,383	$ 53,944
Total Revenues, net of discounts	$ 7,992,159	$ 4,924,238	$ 20,964,263	$ 12,831,828
Cost of Goods Sold (excluding biological assets)	$ 6,692,030	$ 1,985,709	$ 14,418,530	$ 5,648,828
Gross Profit	**$ 1,300,129**	**$ 2,938,529**	**$ 6,545,733**	**$ 7,183,000**
Total Expenses	$ 8,608,149	$ 2,966,949	$ 17,993,976	$ 8,559,858
Other Income (Expense)	$ (1,097,877)	$ (526,781)	$ (8,381,011)	$ (1,283,914)
Income (Loss) (excluding biological assets) Before Provision for Income Taxes	$ (8,405,897)	$ (555,201)	$ (19,829,254)	$ (2,660,772)

	As at September 30, 2019	As at December 31, 2018
Current Assets	$ 57,550,869	$ 41,938,669
Current Liabilities	$ 6,207,295	$ 4,202,582

Three-months ended September 30, 2019 Compared to Three-months ended September 30, 2018

Revenue

Revenue for the three-months ended September 30, 2019 was $7,992,159, an increase of $3,067,921 or 62% compared to revenue of $4,924,238 for three-months ended September 30, 2018. The increase is primarily due to revenue contributions in retail business from Minnesota, the wholesale business in Pennsylvania and the acquisitions in Arizona and New Mexico during Q1 2019. The key performance revenue drivers are market penetration of Vireo branded products in the Pennsylvania wholesale market and the increase in patient demand from the Minnesota business of Vireo's portfolio. Increased patient demand in Minnesota is in part the result of an increase in qualifying conditions which provides access to more certified patients.

Retail revenue for the three-months ended September 30, 2019 was $6,155,301 an increase of $1,285,007 or 26% compared to retail revenue of $4,870,294 for the three-months ended September 30, 2018 due to revenue contributions across business units from Minnesota and the acquisitions in Arizona and New Mexico during Q1 2019.

Wholesale revenue for the three-months ended September 30, 2019 was $1,836,858 an increase of $1,782,915 compared to wholesale revenue of $53,944 for the three-months ended September 30, 2018 due to commencement of Pennsylvania operations in Q3 2018, and Maryland operations in Q1 2019, and the acquisitions in Arizona and New Mexico in Q1 2019.

Cost of Goods Sold & Biological Assets

Cost of goods sold are determined from costs related to the cultivation and manufacturing of cannabis and cannabis-derived products.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three-months ended September 30, 2019 was $6,692,030 an increase of $4,706,321 compared to the three-months ended September 30, 2018 of $1,985,709, driven most significantly by the increase in sales and patient demand in Minnesota, commencement of operations in Pennsylvania in Q3 2018 and the acquisitions in Arizona and New Mexico during Q1 2019.

Inventory of plants undergoing growth 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 based on the stage of the life of plants. 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. 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.

Unrealized fair value growth of biological assets totaled a loss of $9,041,325 for the three-months ended September 30, 2019, compared to a gain of $5,398,128 in the comparative period driven in part by an increase in the wholesale revenue channel, decrease in price assumptions used for the biological assets, and product mix of finished goods on hand in Q3 2019.

Gross Profit

Gross profit before biological asset adjustments for the three-months ended September 30, 2019 was $1,300,129 representing a gross margin of 16%. This is compared to gross profit before biological asset adjustments for the three-months ended September 30, 2018 of $2,938,529 or a 60% gross margin. There were several contributing factors to a decreased gross profit, including: an increased competitive environment across most markets as they mature; an increasing portion of sales in wholesale versus retail business; product sales mix shift to more concentrated distillate products; and a planned production downtime in certain states to accommodate facility upgrades.

Total Expenses

Total expenses for the three-months ended September 30, 2019 were $8,608,149, an increase of $5,641,200 compared to total expenses of $2,966,949 for the three-months ended September 30, 2018, which represents 108% of revenue for the three-months ended September 30, 2019 compared to 60% of revenue for the comparative year. Increase in total expenses was attributable to an increase in salaries and wages, professional fees, and general and administrative expenses of $5,106,681. Included in the increased expenses are an estimated $1,396,000 in in start-up expenses related to buildout and pre-revenue operations in certain state-based markets.

Total Other Income (Expense)

Total other expenses for the three-months ended September 30, 2019 was $1,097,877, an increase of $571,096 compared to $526,781 for the three-months ended September 30, 2018. Increase in other expenses is primarily attributable to the interest expense from the capital leases of the cultivation and manufacturing facilities in Minnesota, New York, Ohio, Maryland Pennsylvania and Puerto Rico.

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, 2019, Federal and State income tax credit totaled $3,506,000 compared to an expense of $1,550,000 for the three-months ended September 30, 2018. Deferred tax credits of $3,160,000 is included in the $3,506,000 for the three-months ended September 30, 2019. This expense is significantly impacted by the fair value of biological assets.

Income from Operations

Operating income (loss) before other income (expense) and provision for income taxes for the three-months ended September 30, 2019 was $(16,973,629), a decrease of $19,065,300 compared to operating income (loss) of $2,091,671 for the three-months ended September 30, 2018.

Nine-months ended September 30, 2019 Compared to Nine-months ended September 30, 2018

Revenue

Revenue for the nine-months ended September 30, 2019 was $20,964,263, an increase of $8,132,435 or 63% compared to revenue of $12,831,828 for nine-months ended September 30, 2018 most significantly due to revenue contributions from the retail business unit in Minnesota, the wholesale business unit in Pennsylvania and the acquisitions in Arizona and New Mexico during Q1 2019. The key performance revenue drivers are market penetration of Vireo branded products in the Pennsylvania wholesale market and the increase in patient demand from the Minnesota business of Vireo's portfolio. Increased patient demand in Minnesota is the result of an increase in qualifying conditions which provides access to more certified patients.

Retail revenue for the nine-months ended September 30, 2019 was $17,626,880 an increase of $4,848,996 or 38% compared to retail revenue of $12,777,884 for the nine-months ended September 30, 2018 primarily due to revenue contributions from Minnesota and acquisitions in Arizona and New Mexico during Q1 2019.

Wholesale revenue for the nine-months ended September 30, 2019 was $3,337,383 an increase of $3,283,438 compared to wholesale revenue of $53,944 for nine-months ended September 30, 2018 due to commencement of Pennsylvania wholesale operations in Q3 2018, Maryland wholesale operations in Q1 2019, Ohio wholesale operations in Q3 2019 and the acquisitions in Arizona and New Mexico in Q1 2019.

Cost of Goods Sold & Biological Assets

Cost of goods sold are determined from costs related to the cultivation and manufacturing of cannabis and cannabis-derived products.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the nine-months ended September 30, 2019 was $14,418,530 an increase of $8,769,702 compared to the nine-months ended September 30, 2018 of $5,648,828, driven most significantly by the increase in sales and patient demand in New York and Minnesota, commencement of operations in Pennsylvania in Q3 2018 and the acquisitions in Arizona and New Mexico during Q1 2019.

Inventory of plants undergoing growth 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 based on the stage of the life of plants. 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. 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.

Unrealized fair value growth of biological assets totaled a gain of $10,540,435 for the nine-months ended September 30, 2019, compared to a gain of $13,749,920 in the comparative period driven in part by an increase in the wholesale revenue channel, decrease in price assumptions used for the biological assets, and product mix of finished goods on hand in Q3 2019.

Gross Profit

Gross profit before biological asset adjustments for the nine-months ended September 30, 2019 was $6,545,733 representing a gross margin on the sale of cannabis-derived products of 31%. This is compared to gross profit before biological asset adjustments for the nine-months ended September 30, 2018 of $7,183,000 or a 56% gross margin.

There were several contributing factors to a decreased gross profit, including under absorption of overhead costs in certain states, as well as a greater mix of wholesale versus retail sales.

Gross profit after net gains on biological asset transformation for the nine-months ended September 30, 2019 was $5,841,267, representing a gross margin of 28%, compared with gross profit after biological asset transformation of $11,419,040 or 89% gross margin, for the nine-months ended September 30, 2018.

Total Expenses

Total expenses for the nine-months ended September 30, 2019 were $17,993,976, an increase of $9,434,118 compared to total expenses of $8,559,858 for the nine-months ended September 30, 2018, which represents 86% of revenue for the nine-months ended September 30, 2019 compared to 67% of revenue for the comparative period. Increase in total expenses was attributable to an increase in salaries and wages, professional fees, and general and administrative expenses of $9,566,636 which represented an increase over 2018 of 143% and a decrease in share based compensation of $812,969 or 54%. Included in the increased expenses are an estimated $3,155,000 in in start-up expenses related to buildout and pre-revenue operations in certain state-based markets.

Total Other Income (Expense)

Total other expenses for the nine-months ended September 30, 2019 were $8,381,011, an increase of $7,097,097 compared to $1,283,914 for the nine-months ended September 30, 2018. Increase in other expenses is attributable to the listing expense related to the RTO; interest expense from the capital leases of the cultivation and manufacturing facilities in Minnesota, New York, Ohio, Pennsylvania and Puerto Rico; and the costs related to acquisitions in Nevada, Puerto Rico, and Rhode Island.

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 nine-months ended September 30, 2019, Federal and State income tax net credit totaled $649,000 compared to a tax expense of $3,470,000 for the nine-months ended September 30, 2018. Deferred tax credit of $1,508,000 is included in the net credit for the current period. This expense is driven by the fair value of biological assets.

Income from Operations

Operating income (loss) before other income (expense) and provision for income taxes for the nine-months ended September 30, 2019 was $(12,152,709), a decrease of $15,011,891 compared to operating income (loss) of $2,859,182 for the nine-months ended September 30, 2018.

Non-IFRS Measures

EBITDA, Adjusted Net income (loss) EBITDA and Adjusted EBITDA are non-IFRS measures and do not have standardized definitions under IFRS. The following information provides reconciliations of the supplemental non-IFRS financial measures, presented herein to the most directly comparable financial measures calculated and presented in accordance with IFRS. The Company has provided the non-IFRS financial measures, which are not calculated or presented in accordance with IFRS, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. These supplemental non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. These supplemental non-IFRS financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net income (loss)	$ (14,565,506)	$ 14,890	$ (19,884,720)	$ (1,894,732)
Net fair value adjustments	9,665,610	(2,120,091)	704,467	(4,236,040)
Listing expense	-	-	3,496,843	-
Acquisition related costs	-	-	739,880	-
Inventory adjustment	(230,470)	-	522,226	-
Share-based compensation	229,916	87,996	686,868	1,499,837
Adjusted net income (loss) (non-IFRS)	$ (4,900,450)	$ (2,017,205)	$ (13,734,436)	$ (4,630,935)
Net income (loss)	$ (14,565,506)	$ 14,890	$ (19,884,720)	$ (1,894,732)
Interest income	(83)	(319)	(240)	(319)
Interest expense	1,226,378	525,732	3,327,451	1,267,749
Accretion expense	72,976	-	123,238	-
Income taxes	(3,506,000)	1,550,000	(649,000)	3,470,000
Depreciation	516,473	123,874	1,060,527	380,076
Amortization	727,731	-	1,512,775	-
EBITDA (non-IFRS)	$ (15,528,031)	$ 2,214,177	$ (14,509,969)	$ 3,222,774
Net fair value adjustments	9,665,610	(2,120,091)	704,467	(4,236,040)
Listing expense	-	-	3,496,843	-
Acquisition related costs	-	-	739,880	-
Inventory adjustment	(230,470)	-	522,226	-
Share-based compensation	229,916	87,996	686,868	1,499,837
Adjusted EBITDA (non-IFRS)	$ (5,862,975)	$ 182,082	$ (8,359,685)	$ 486,571

Drivers of Results of Operations

Revenue

The Company derives its revenue from its retail and wholesale business in which it manufactures and sells through its retail stores and manufacturing facilities. For the nine-months ended September 30, 2019, 84% of the revenue was generated from retail business and 16% from wholesale business. Wholesale revenues did not begin until the end of Q3 2018. For the nine-months ended September 30, 2018, 99% of the revenue was generated from retail business.

For the nine-months ended September 30, 2019, New York operations contributed approximately 37% of revenues, while Minnesota contributed 36%, Arizona contributed 14%, Pennsylvania contributed 9%, and New Mexico contributed 4%.

For the nine-months ended September 30, 2018, New York operations contributed approximately 58% of revenues while Minnesota contributed approximately 42%.

Gross Profit

Gross profit reflects total net revenue less cost of goods sold. Cost of goods sold includes the costs directly attributable to sales such as amounts paid for producing inventory including finished goods and concentrates, as well as packaging and other supplies, fees for services and processing, and an allocated overhead 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.

Throughout the nine-months ended September 30, 2019, the Company continued to focus on the profitability of the Company's existing operations while pursuing expansion into new markets. Vireo expects to continue its growth strategy for the foreseeable future as the Company expands its footprint within its current markets and expands into new markets through acquisitions and strategic partnerships.

In the markets in which the Company is operational, the Company expects to experience gradual price compression as these state-based markets mature. This in turn will place downward pressure on the Company's retail and wholesale gross margins. With that said, since the Company's current production capacity has not been fully realized, future gross profits could still increase with increased revenues reflective of higher demand and output.

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 (Maryland

and Pennsylvania). The increase is expected to be driven primarily by the growth of 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 September 30, 2019	$ 7,992,159	$ (9,665,609)	$ (14,565,506)
Quarter Ended June 30, 2019	$ 7,194,312	$ 4,245,150	$ (1,872,457)
Quarter Ended March 31, 2019	$ 5,777,792	$ 5,038,995	$ (3,446,759)
Quarter Ended December 31, 2018	$ 5,595,705	$ 3,608,572	$ (1,182,621)
Quarter Ended September 30, 2018	$ 4,926,760	$ 2,120,092	$ 14,890
Quarter Ended June 30, 2018	$ 4,229,115	$ 1,624,754	$ 120,080
Quarter Ended March 31, 2018	$ 3,678,475	$ 491,195	$ (2,029,702)
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

Revenues increased quarter over quarter through the three-months ended September 30, 2019, primarily due to market share growth in the Pennsylvania and Maryland wholesale market and increase in patient demand in Minnesota.

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.

Liquidity, Financing Activities During the Period, and Capital Resources

As of September 30, 2019, the Company had total current liabilities of $6,207,295 ($4,202,582 as of December 31, 2018) and cash of $16,362,708 ($9,624,110 as of December 31, 2018) to meet its current obligations. As of September 30, 2019, the Company had working capital of

$51,343,574 up $13,607,487 compared to December 31, 2018 driven mainly by the RTO subscription receipts.

During the nine-months ended September 30, 2019, the Company issued 12,090,937 subordinate voting shares of capital stock of the Company at $4.25 per share for gross proceeds of $51,386,482. In connection with the financing, the Company paid a cash fee to the agents equal to $3,241,738 and the agents were granted a combined 763,111 in compensation warrants. The agent's compensation warrants will be exercisable at a price of $4.25 per share for a period of two years and the advisory warrants will be exercisable at a price of $2.975 per share for a period of two years. In addition, the Company paid a financial advisory fee of $415,000 and had costs in the amount of $186,866. The compensation warrants have been valued at $1,723,946 and the advisory warrants have been valued at $442,691 using the Black-Scholes option pricing model applying the following assumptions: Risk Free Rate - 2.31%, Expected Life - 2 years, Expected Annualized Volatility – 100%, Expected Dividend Yield – 0%.

The Company is an early-stage growth company. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult use cannabis markets, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations. The Company's ability to fund its operations, to make planned capital expenditures and to acquire other entities is dependent on operating cash flows and the Company's ability to access capital markets. Such abilities are subject to prevailing economic conditions, as well as financial, business and other factors, some of which are beyond the Company's control.

Contractual Obligations and Commitments

The following table summarizes contractual obligations as of September 30, 2019 and the effects that such obligations are expected to have on the Company's liquidity and cash flows in future periods:

		Payments Due by Period			
	Total	**Less Than 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**More than 5 Years**
Operating and Capital lease commitments (1)	$ 81,828,391	$ 1,371,172	$ 16,153,065	$ 5,563,900	$ 58,740,254
Debt Obligations (2)	$ 1,010,000		$ 1,010,000	$ -	$ -

(1) Amounts in the table reflect minimum payments due for the Company's leased facilities under various operating and capital lease agreements that expire through 2033.

(2) Amounts in the table reflect minimum payments due for the Company's debt obligations.

Cash Flows

Cash Flows Used in Operating Activities

Net cash flows used in operating activities was ($16,368,099) for the nine-months ended September 30, 2019, an increase of $9,695,082 or 145%, compared to ($6,673,017) for the nine-months ended September 30, 2018. The increase in net cash flows used in operating activities was primarily due to expansion of new and existing markets and related ramp up expenses, new product introductions, operating losses, inventory and biological assets.

Cash Flows from (Used In) Investing Activities

Net cash flows used in investing activities was ($21,399,645) for the nine-months ended September 30, 2019, a decrease of $25,610,210 or 608% compared to net cash flows provided of $4,210,565 from investing activities for the nine-months ended September 30, 2018. The increase in net cash flows used in investing activities was primarily due to the acquisition costs during the nine-months ended September 30, 2019.

Cash Flows from Financing Activities

Net cash flows from financing activities was $44,506,342 for the nine-months ended September 30, 2019, compared to cash flows of $15,078,651 for the nine-months ended September 30, 2018. The increase in net cash flows from financing activities was largely due to the issuance of subscription receipts from the Company's marketed private placement during the nine-months ended September 30, 2019.

Additional Information

Outstanding Share Data:

As at September 30, 2019 and the date of this report, the Company had 24,300,092 shares outstanding, consisting of the following:

(a) Subordinate voting shares
23,684,411 shares issued and outstanding. The holders of subordinate voting shares are entitled to receive dividends which may be declared from time to time and are entitled to one vote per share at all stockholder meetings. All subordinate voting shares are ranked equally with regard to the Company's residual assets. The Company is authorized to issue an unlimited number of no par value subordinate voting shares.

(b) Multiple voting shares
550,270 shares issued and outstanding. The holders of multiple voting shares are entitled to one hundred votes per share at all stockholder meetings. Each multiple voting share is exchangeable for one hundred subordinate voting shares. The Company is authorized to issue an unlimited number of multiple voting shares.

(c) Super voting shares
65,411 shares issued and outstanding. The holders of super voting shares are entitled to one thousand votes per share at all stockholder meetings. Each super voting share is exchangeable for one hundred subordinate voting shares. The Company is authorized to issue an unlimited number of super voting shares.

(d) Options, Warrants, and Promissory Notes
As of September 30, 2019, the company had issued 22,215,577 employee stock options, as well as 1,799,809 advisory and compensation warrants related to recent financing activities, and $3,450,000 outstanding in convertible promissory notes related to recent acquisitions.

Off-Balance Sheet Arrangements

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

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 Company's audit committee and Board of Directors. The accompanying financial statements are prepared by management in accordance with 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 four 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 three-months ended September 30, 2019 and 2018 transactions with related parties consist of:

- Salaries and wages paid to key management personnel (all seven directors including Kyle Kingsley, MD CEO, Aaron Hoffnung, CSO, and Amber Shimpa, CFO) in the amount of $475,725 for the three-months ended September 30, 2019 and $234,330 for the three-months ended September 30, 2018.

- Share based compensation paid to key management personnel (including Kyle Kingsley, MD CEO, Aaron Hoffnung, CSO and Amber Shimpa, CFO) in the amount of $49,375 for the three-months ended September 30, 2019 and $nil for the three-months ended September 30, 2018.

- As of September 30, 2019 – $nil was due from related parties.

- As of September 30, 2019, the Company paid a related party for contract staffing expenses in the amount of $264,422.

The Company considers key management personnel to consist of directors and certain members of executive management.

Proposed Transactions

None

Subsequent Transaction

Subsequent to the nine-months ended September 30, 2019:

Effective November 13, 2019, the Company's current portion of long-term debt in the amount of $1,010,000 has been increased to $1,110,000 and extended to December 31, 2021.

Adoption of Accounting Practices

The following IFRS standards have been adopted by the Company effective January 1, 2019.

IFRS 16 *Leases*: Refer to Note 3 disclosure in the interim financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*: Refer to Note 3 disclosure in the interim financial 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 unaudited 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 & 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 compares the inventory cost to estimated net realizable value.

Fair Value of Stock Options and Warrants

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.

During the nine-months ended September 30, 2019, the Company recognized $686,868 in share-based compensation (2018 - $1,499,837). During the three-months ended September 30, 2019, the Company recognized $229,916 in share-based compensation (2018 - $87,996). In determining the amount of share-based compensation related to options issued during the periods, the Company used the Black-Scholes option pricing model to establish fair value of options granted.

During the nine-months ended September 30, 2019, the Company recognized $2,166,667 in warrant compensation expense (2018 - $nil). During the three-months ended September 30, 2019, the Company recognized $nil in warrant compensation expense (2018 - $nil). In determining the amount of the warrant compensation expense related to options issued during the nine-months ended September 30, 2019, the Company used the Black-Scholes option pricing model to establish fair value of warrants granted.

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.

Assessment of the transactions as asset acquisitions or business combinations

Management has had to apply judgement relating to the reverse takeover transaction and acquisitions with respect to whether the acquisition was a business combination or asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

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 ($16,362,708 as of September 30, 2019 and $9,624,110 as of December 31, 2018), 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.

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 of September 30, 2019, 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.

Market Risk

Foreign 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.

Legal Risk

Vireo U.S. operates in the United States. 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.

Other Risks

The uncertain U.S. regulatory landscape and enforcement related to cannabis.

Risks and Uncertainties

In addition to the risks and uncertainties set forth in the Company’s public filings, risks and uncertainties not presently know to the Company or currently deemed immaterial by the

Company, may also impair the operations of the Company. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, result of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The Company is subject to various risks and uncertainties that could have a material impact on the Company, its financial performance, condition and outlook.

Forward-Looking Statements

This MD&A contains "forward-looking statements" and “forward-looking information” within the meaning of Canadian securities laws (“forward-looking statements”). Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management’s current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentation by representatives of the Company that are not statements of historical fact, made by the Company that address activities, events or developments that the Company 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," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, information regarding expectations for the effects of any transactions; expectations for the potential benefits of any transactions; statements relating to the business and future activities of, and developments related to, the Company after the date of this MD&A, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans; expectations that planned acquisitions will be completed. All forward-looking statements and information are based on the Company’s current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to the concentrated Founders voting control of the Company and the unpredictability caused by the existing capital structure; U.S. regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; public opinion and perception of the cannabis industry; risks related to the ability to consummate the proposed acquisitions and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions to the consummation of the proposed acquisitions on the proposed terms and schedule; the potential impact of the announcement or consummation of the proposed acquisitions on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; the diversion of management time on the proposed acquisitions; risks related to contracts with third party service providers; risks related to the enforceability of contracts; the limited operating history of the Company; reliance on the expertise and judgment of senior management of the Company; risks inherent in an agricultural business; risks related to proprietary intellectual property and potential infringement by third parties; risks relating to financing activities including leverage; the limited operating history of the Company; risks relating to the management of growth; increased costs associated with the Company becoming a publicly traded company; increasing competition in the industry; risks relating to energy costs; risks associated to cannabis products manufactured for human consumption including potential product recalls; reliance on key inputs, suppliers and skilled labor (the availability and retention of which is subject to uncertainty); cybersecurity risks; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax and insurance related risks; risks related to the economy generally; risk of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales by existing shareholders; the limited market for securities of the Company; limited research and data relating to cannabis; as well as those risk factors discussed elsewhere herein and in the listing statement of the Company dated March 19, 2019 available under the Company's profile on www.sedar.com.