VIREO HEALTH INTERNATIONAL, INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 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 months and full year ended December 31, 2019 and 2018. It is supplemental to, and should be read in conjunction with, the Company's consolidated financial statements and the accompanying notes for years ended December 31, 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. Further information about the Company and its operations can be obtained on **www.sedar.com**.

The effective date of this MD&A is May 14, 2020.

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.

Cautionary Note Regarding Forward-Looking Information

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 "plans," "expects" or "does not expect," "is expected," "look forward to," "budget" "scheduled," "estimates," "forecasts," "will continue," "intends," "the intent of," "have the potential," "anticipates," "does not anticipate," "believes," "should," "should not," or variations of such words and phrases or indicates that certain actions, events or results "may," "could," "would," "might," or "will" "be taken," "occur," or "be achieved." In particular, information regarding expectations for the potential benefits of any transactions; the anticipated benefits of strategic initiatives including cost-reduction measures; 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. Forward-looking statements and information are based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits. Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct.

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 voting control of founder of the Company and the unpredictability caused by the existing capital structure; U.S. federal and state regulatory landscape and enforcement related to cannabis, including political risks; risks relating to anti-money laundering laws and regulations; other governmental and environmental regulations; public opinion and perception of the cannabis industry; risks related to the ability

to obtain and retain requisite regulatory approvals; risks that the satisfaction of other conditions to the consummation of the proposed acquisitions of the cannabis licensees in Nevada on the proposed terms and schedule will not occur; 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 that assets will be deemed impaired in future periods; risks inherent in an agricultural business including infestation and other biological and microbiological risks; 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; costs associated with the Company being a publicly traded company; illiquidity of the Company's equity securities arising out of the potential loss of the Company's status as a foreign private issuer under U.S. securities laws; increasing competition in the industry including the risk that market prices for the Company's products decline; the inability of the Company to sell the ownership or assets of non-core subsidiaries; the risk that the exercise of stock options or warrants will cause the market price of the Company's equity securities to decline; the risk that the Company is unable to commercialize its intellectual property; risks relating to energy costs; risks associated with cannabis products manufactured for human consumption including potential product recalls and claims related to inherent or other defects in products; reliance on key inputs, suppliers and skilled labor (the availability and retention of which are subject to uncertainty); risk of epidemic and pandemic including the COVID-19 pandemic of 2020 including the risk of delays or cost overruns on construction and other projects; information security risks including the risk of data breach and loss of personally identifiable information; ability and constraints on marketing products; fraudulent activity by employees, contractors and consultants; tax-related risks including increases in effective income and other tax rates; risks related to insurance including increases in premiums and required retention levels, as well as the risk that all risks may not be insurable at commercially reasonable costs; risks related to the economy generally; risk of litigation and adverse outcome of litigation; conflicts of interest; risks relating to certain remedies being limited and the difficulty to enforce judgments and effect service outside of Canada; risks related to future acquisitions or dispositions; sales of the Company's stock or other securities 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.

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	MD&A 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.	*Overview of the Company* *Regulatory Jurisdictions*
	• Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Risks and Uncertainties (Legal Risk)*
	• 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.	*Risks and Uncertainties (Legal Risk)*
	• 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.	*Risks and Uncertainties (Legal Risk)*
	• 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.	*Risks and Uncertainties (Legal Risk)*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	MD&A Cross Reference
	• Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Selected Financial Information* **Note: as of May 14, 2020, the major operations of the Company are only in the United States**
	• Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	*Legal advice has been obtained*
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	• Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*Risks and Uncertainties (Legal Risk)*
	• 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.	*Risks and Uncertainties (Legal Risk)*

OVERVIEW OF THE COMPANY

Vireo Health International, Inc. is a physician-led cannabis company focused on building long-term, sustainable value by bringing the best of medicine, science, and engineering to the cannabis industry. With its core operations strategically located in six early-stage, limited-license medical markets, through its wholly-owned, state-licensed subsidiaries Vireo cultivates and manufactures cannabis products and distributes these products through its growing network of Green Goods™ and other Vireo branded retail dispensaries as well as third-party locations in the markets in which Vireo's subsidiaries hold operating licenses.

In addition to developing and maintaining cannabis businesses in its core limited-license jurisdictions, Vireo's teams of medical staff and researchers are also focused on driving innovation and securing meaningful and protectable intellectual property. Through this dual-path approach to long-term value creation, Vireo believes it enhances the potential for shareholder returns.

Resurgent Biosciences, Inc., a wholly-owned subsidiary of Vireo, is a non-plant-touching entity that was formed with the intent of commercializing Vireo's intellectual property portfolio. This portfolio includes a patent for harm reduction in tobacco products as well as many other patent-pending opportunities that Vireo believes have potential to create additional value for shareholders through partnerships or other strategic alternatives.

While Vireo is not currently focused on substantial capital investment or expansion outside of its core markets, the Company does own additional non-core medical cannabis licenses or operations which may present opportunities for partnership or divestiture in the future.

Reverse Take Over ("RTO") Transaction

On March 18, 2019, Vireo Health, Inc.("Vireo U.S.") completed the reverse take-over transaction of the Vireo Health International Inc. (formerly Darien Business Development Corp. or "Darien") (the "Transaction") whereby Darien acquired all of the issued and outstanding shares of Vireo U.S. Following the completion of the Transaction, the former shareholders of Vireo U.S. acquired control of the Company as they owned a majority of the outstanding shares of the Company upon completion of the Transaction.

The Transaction does not constitute a business combination since Darien did not meet the definition of a business under IFRS 3. As a result, the transaction has been accounted for as an asset acquisition with Vireo U.S. being identified as the accounting acquirer and Darien being treated as the accounting acquired with the transaction being measured at the fair value of the equity consideration issued to Darien shareholders.

The Company recorded a listing expense of $3,562,883 in the consolidated statement of comprehensive loss.

OPERATING SEGMENTS

For the fiscal year that ended December 31, 2019, the Company operated one reportable business segment: the cultivation, production, and sale of cannabis. The Company cultivates, manufactures and distributes cannabis products to third parties in wholesale markets and cultivates, manufactures and sells cannabis products directly to approved patients in its owned retail stores.

During the fiscal year ended December 31, 2019, the Company had operating revenue in seven states: Arizona, Maryland, Minnesota, New Mexico, New York, Ohio and Pennsylvania. Retail revenues were derived from sales in thirteen dispensaries throughout five states. It has one operational dispensary in Arizona, four in Minnesota, two in New Mexico, four in New York, and two in Pennsylvania. Wholesale revenues were derived from sales of products to third parties in the states of Arizona, Maryland, New York, Ohio and Pennsylvania.

REGULATORY JURISDICTIONS

Vireo's six core medical cannabis markets of New York, Minnesota, Pennsylvania, Arizona, New Mexico, and Maryland have the potential to enact adult-use legalization in the foreseeable future. Such regulatory advancements in several other state markets have resulted in improved revenue growth trends for the licensed operators, which gives Vireo's management optimism that it will be able to drive performance improvements in the future if these events occur in some or all of above noted states.

The Company's licenses in Maryland, Minnesota, New York, Ohio, and Pennsylvania were each awarded to Vireo through merit-based license application processes. Merit-based license awards require limited investment and thus present high-return opportunities. Vireo believes that its medical and scientific background has helped the Company develop a competitive advantage in the marketplace with respect to applying and winning some merit-based license awards.

In Minnesota, the Company is one of only two licensed operators in the state. Vireo currently operates four retail dispensaries and one cultivation and processing facility of approximately 90,000 square feet. Recent changes to the states qualifying conditions for medical cannabis patients have contributed to increases in patient enrollment, and the legislature also recently granted Vireo four additional dispensary licenses which are currently undeveloped. These additional dispensary licenses, combined with the potential for the state to add dry flower to the list of allowed delivery methods, give Vireo's management team optimism that the Minnesota market remains a strong near-term growth opportunity for the Company.

In New York, Vireo was one of the original five licensed operators, placing second in the initial selection process, and is currently one of only 10 licensed operators in the state. Vireo currently operates four retail dispensaries and one cultivation and processing facility of approximately 60,000 square feet. It also operates a legal home-delivery business in New York. While Vireo believes the long-term opportunity in New York is substantial, recent performance has been impacted by neighboring states transitioning to recreational-use jurisdictions, as well as by increasing competition from other developing operators. New product introductions and the beginning of wholesale revenue streams may contribute to improving profit margins in the future. Vireo anticipates additional growth of its home delivery service.

In Pennsylvania, Vireo has three retail dispensary licenses (two of which are currently operational), and one cultivation and processing facility of approximately 90,000 square feet. The Company's retail and wholesale businesses are continuing to experience growth in this medical market. Investments in operational expansion within this market during calendar year 2019 are expected to contribute to continued increased available product in fiscal year 2020 with the potential for improved financial results from increased scale and the introduction of higher margin products including flower, soft gels, and topicals. This expansion was primarily funded by a sale-and-leaseback agreement with a special-purpose real estate investment trust.

In Maryland, the Company owns one retail dispensary license which is not currently operational, and it operates a cultivation and processing facility of 22,500 square feet to serve the wholesale market. Wholesale revenues have grown, driven in part by new product offerings and increased market penetration. In fiscal year 2020, Vireo anticipates continued revenue growth. Vireo is also evaluating opportunities for the retail dispensary license.

In Ohio, Vireo currently operates an approximately 11,000 square foot processing facility. The limited availability of biomass in the state limited processing revenue opportunity for much of fiscal year 2019 as cultivators were ramping up production. Vireo expects to experience improved biomass availability in fiscal year 2020 and 2021. Vireo is also seeking opportunities to monetize this license or partner with other operators in the state on the processor license.

The Company's licenses in Arizona, Massachusetts, New Mexico, and Puerto Rico were acquired in conjunction with its RTO in March of 2019. Please refer to the Company's previous regulatory filings for more information regarding Vireo's RTO transaction.

In Arizona, Vireo operates and controls one retail dispensary, one processing facility, and an outdoor cultivation facility.

In New Mexico, Vireo currently operates an approximately 10,000 square feet of cultivation and processing and has two operational retail dispensaries. Vireo may seek to expand cultivation throughout fiscal year 2020. The expansion is anticipated to support the launch of wholesale sales and the opening of two additional retail dispensary locations during the second half of 2020.

In addition to these businesses, during fiscal year 2019 the Company also incurred start-up expenses related to buildout and pre-revenue operations in non-core markets, including Massachusetts, Ohio, Rhode Island and Puerto Rico. While these markets may offer future revenue opportunities, the Company's recent decision to focus its efforts and capital on core markets resulted in changes to future expectations regarding the overall revenue and profitability of its consolidated operations. The potential license in Nevada remains with the State authorities and it is unclear if the transfer will be approved.

As at the time of Vireo's acquisition of these now non-core assets in early 2019, global cannabis stocks were approaching all-time highs and valuation methodologies within the sector were predominantly tied to revenue growth expectations rather than cash flow or profitability metrics. The book value of Vireo's various state-by-state assets at the time similarly reflected

expectations for an aggressive pace of expansion as access to growth capital for cannabis business operators within the global capital markets was much more readily available.

As calendar year 2019 progressed, several factors contributed to a more challenging operating environment for legal cannabis businesses, including shifts in the regulatory landscape and public health concerns related to a sudden rise in the number of cases of lung disease illnesses associated with the use of, what appears to be, illicit-market vaporizer liquids. Growth capital for cannabis businesses became much more difficult to access during the second half of 2019, which caused Vireo's management to revise its operating strategies in order to prioritize capital allocation decisions to medical markets.

These decisions resulted in changes to Vireo's future expectations and required the Company to make adjustments to the fair book value of intangible assets and goodwill on its balance sheet, resulting in non-cash impairment charges of approximately $28.3 million in the fourth quarter. Vireo does not anticipate its non-core assets will be fully developed in the near future, although there may be future opportunities to effectively monetize these assets through partnership or potential divestitures.

SELECTED FINANCIAL INFORMATION

The following is selected financial data derived from the unaudited condensed interim consolidated financial statements of the Company for the three months and its audited consolidated financial statements for the year ended December 31, 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 December 31,		For the Twelve Month Period Ended December 31,	
	2019	**2018**	**2019**	**2018**
Retail Revenue	$ 6,719,146	$ 5,369,833	$ 24,350,022	$ 18,147,414
Wholesale Revenue	2,272,763	257,408	5,606,150	311,655
Total Revenues, net of discounts	$ 8,991,909	$ 5,627,241	$ 29,956,172	$ 18,459,069
Cost of Goods Sold (excl. biological assets)	7,335,957	3,870,605	21,754,487	9,519,433
Gross Profit	**$ 1,655,952**	**$ 1,756,636**	**$ 8,201,685**	**$ 8,939,636**
Total Expenses	11,048,456	3,625,658	29,042,432	12,185,516
Other Income (Expense)	(2,462,541)	(1,191,171)	(10,843,552)	(2,475,085)
Loss on Impairment	(28,264,850)	-	(28,264,850)	-
Operating Loss (excluding biological assets) Before Provision for Income Taxes	**$ (40,119,895)**	**$ (3,060,193)**	**$ (59,949,149)**	**$ (5,720,965)**

	As at December 31,	
	2019	**2018**
Current Assets	$ 51,145,337	$ 41,938,669
Total Assets	$ 105,208,852	$ 69,256,848
Current Liabilities	$ 3,759,913	$ 4,202,582
Total Liabilities	$ 38,881,040	$ 27,602,595

Three-months ended December 31, 2019 Compared to Three-months ended December 31, 2018

Revenue

Revenue for the three-months ended December 31, 2019 was $8,991,909, an increase of $3,364,668 or 60% compared to revenue of $5,627,241 for three-months ended December 31, 2018. The increase is primarily due to revenue contributions in retail business from Minnesota and Pennsylvania, the wholesale business in Pennsylvania and Maryland, and the acquisitions in Arizona and New Mexico during Q1 2019. Key performance drivers are increased market penetration of Vireo branded products in the Pennsylvania, Maryland, and Ohio wholesale and retail markets and increased patient demand in Minnesota, which is partially the result of increased qualifying conditions which helps contribute to growth in certified patient enrollments.

Retail revenue for the three-months ended December 31, 2019 was $6,719,146 an increase of $1,349,313 or 25% compared to retail revenue of $5,369,833 for the three-months ended December 31, 2018. The increase is principally due to increases in patient count and average revenue per patient in Minnesota, Pennsylvania and the retail acquisitions in Arizona and New Mexico during Q1 2019.

Wholesale revenue for the three-months ended December 31, 2019 was $2,272,763 an increase of $2,015,355 compared to wholesale revenue of $257,408 for the three-months ended December 31, 2018. The increase is principally due to the commencement of Pennsylvania operations in Q3 2018, Maryland operations in Q1 2019, the Ohio operations in Q3 2019, and the acquisitions of wholesale businesses in Arizona in Q1 2019.

	Three Months Ended December 31,			
	2019	**2018**	**$ Change**	**% Change**
Retail:				
MN	$ 2,795,440	$ 2,477,213	$ 318,226	13%
NY	2,435,613	2,892,620	(457,007)	-16%
AZ	894,863	-	894,863	N/A
NM	401,321	-	401,321	N/A
PA	191,910	-	191,910	N/A
Wholesale:				
PA	906,480	257,408	649,073	252%
AZ	868,758	-	868,758	N/A
MD	332,664	-	332,664	N/A
NY	93,300	-	93,300	N/A
OH	71,560	-	71,560	N/A
Total	**$ 8,991,909**	**$ 5,627,241**	**$ 3,364,668**	**60%**

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 as well as the cost of finished goods inventory purchased from third parties.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three-months ended December 31, 2019 was $7,335,957 an increase of $3,465,352 compared to the cost of goods sold for the three-months ended December 31, 2018 which was $3,870,605. This increase was driven most significantly by the increase in sales and patient demand in Minnesota, commencement of operations in Pennsylvania in Q3 2018, commencement of operations in Maryland in Q1 2019, commencement of operations in Ohio in Q3 2019, and the acquisitions in Arizona and New Mexico in Q1 2019.

Vireo has a deep commitment to ensuring that jobs created by the cannabis industry pay living wages and that employees are treated with dignity and respect. In 2019, we added Pennsylvania to our growing list of core markets where we have welcomed unions in support of our employees and to offer meaningful benefits to our industry's workers.

Unrealized fair value gain on growth of biological assets totaled $10,668,731 for the three-months ended December 31, 2019, compared to a gain of $10,552,111 in the comparative period driven in part product mix of finished goods on hand in Q4 2019.

Gross Profit

Gross profit before biological asset adjustments for the three-months ended December 31, 2019 was $1,655,952 representing a gross margin of 18%. This is compared to gross profit before biological asset adjustments for the three-months ended December 31, 2018 of $1,756,636 or a 31% gross margin. There were several contributing factors to a decreased gross margin, including: an increased competitive environment across several markets as they mature; a temporary increase in the portion of sales in wholesale versus retail markets; product sales mix shift to address demand for concentrated distillate products; and a planned production downtime in certain states to accommodate facility upgrades.

Total Expenses

Total expenses for the three-months ended December 31, 2019 were $11,048,456 and included a $4,047,470 adjustment related to inventory costing of labor expenses during the full year. Excluding this accounting adjustment, total operating expenses increased by $3,375,328 over the three-months ended December 31, 2018. The increase in total expenses was attributable primarily to an increase in stock-based compensation expense as well as increased salaries and wages, professional fees, and depreciation.

Operating Loss before Income Taxes

Operating loss before other income (expense) and provision for income taxes for the three-months ended December 31, 2019 was $(6,048,375), a decrease of $7,787,925 compared to operating income before other income (expense) and provision for income taxes of $1,739,550 for the three-months ended December 31, 2018.

Total Other Income (Expense)

Total other expenses for the three-months ended December 31, 2019 was $30,727,391, an increase of $29,536,220 compared to $1,191,171 for the three-months ended December 31, 2018. Increase in other expenses is primarily attributable to the impairment of intangible assets of $28,264,850 to reflect changing industry and market circumstances, primarily in non-core markets. Vireo does not anticipate its non-core assets will be fully developed in the near future, although there may be future opportunities to effectively monetize these assets through partnership or potential divestitures.

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 December 31, 2019, Federal and State income tax expense totaled $350,000 compared to an expense of $1,731,000 for the three-months ended December 31, 2018. Deferred tax credits of $472,000 is included in the $350,000 for the three-months ended December 31, 2019. This expense is significantly impacted by the fair value of biological assets.

The Year ended December 31, 2019 Compared to the Year ended December 31, 2018

Revenue

Revenue for the year ended December 31, 2019 was $29,956,172, an increase of $11,497,103 or 62% compared to revenue of $18,459,069 for year ended December 31, 2018. The increase is primarily attributable 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. Key performance revenue drivers are increased market penetration of Vireo branded products in the Pennsylvania wholesale market and increased patient demand in Minnesota which is partially the result of increased qualifying conditions which helps contribute to growth in certified patient enrollments.

Retail revenue for the year ended December 31, 2019 was $24,350,022 an increase of $6,202,608 or 34% compared to retail revenue of $18,147,414 for the year ended December 31, 2018 primarily due to revenue contributions from Minnesota and acquisitions in Arizona and New Mexico during Q1 2019.

Wholesale revenue for the year ended December 31, 2019 was $5,606,150 an increase of $5,294,495 compared to wholesale revenue of $311,655 for year ended December 31, 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.

	Twelve Months Ended December 31,			
	2019	**2018**	**$ Change**	**% Change**
Retail:				
MN	$10,359,342	$ 7,837,934	$ 2,521,408	32%
NY	9,990,907	10,309,480	(318,573)	-3%
AZ	2,722,531	-	2,722,531	N/A
NM	1,085,332	-	1,085,332	N/A
PA	191,910	-	191,910	N/A
Wholesale:				
PA	2,797,446	311,655	2,485,791	798%
AZ	1,908,521	-	1,908,521	N/A
MD	547,653	-	547,653	N/A
NY	280,570	-	280,570	N/A
OH	71,960	-	71,960	N/A
Total	**$ 29,956,172**	**$ 18,459,069**	**$ 11,497,103**	**62%**

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 year ended December 31, 2019 was $21,754,487 an increase of $12,235,054 compared to the year ended December 31, 2018 of $9,519,433, 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.

Unrealized fair value growth of biological assets totaled a gain of $21,209,166 for the year ended December 31, 2019, compared to a gain of $24,302,031 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 year ended December 31, 2019 was $8,201,685 representing a gross margin on the sale of cannabis-derived products of 27%. This is compared to gross profit before biological asset adjustments for the year ended December 31, 2018 of $8,939,636 or a 48% gross margin.

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

Gross profit after net gains on biological asset transformation for the year ended December 31, 2019 was $10,841,348, representing a gross margin of 36%, compared with gross profit after biological asset transformation of $16,784,248 or 91% gross margin, for the year ended December 31, 2018.

Total Expenses

Total expenses for the year ended December 31, 2019 were $29,042,432, an increase of $16,856,916 compared to total expenses of $12,185,516 for the year ended December 31, 2018. Increase in total expenses was attributable to an increase in salaries and wages, professional fees, and general and administrative expenses of $14,531,959 and an increase in share-based compensation of $1,230,591. Included in the increased expenses are an estimated $3,265,000 in start-up expenses related to buildout and pre-revenue operations in certain markets.

Operating Loss before Income Taxes

Operating loss before other income (expense) and provision for income taxes for the year ended December 31, 2019 was $(18,201,084), a decrease of $22,799,816 compared to operating income before other income (expense) and provision for income taxes of $4,598,732 for the year ended December 31, 2018.

Total Other Income (Expense)

Total other expenses for the year ended December 31, 2019 were $39,108,402, an increase of $36,633,317 compared to $2,475,085 for the year ended December 31, 2018. Increase in other expenses is primarily attributable to intangible asset write-offs of $28,264,850 to reflect changing market conditions, listing expenses related to the RTO transaction; 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 Puerto Rico, and Rhode Island. The impairment of intangible assets resulted from our view of changing industry and market circumstances, primarily in non-core markets. Vireo does not anticipate its non-core assets will be fully developed in the near future, although there may be future opportunities to effectively monetize these assets through partnership or potential divestitures.

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 year ended December 31, 2019, Federal and State income tax recovery totaled $299,000 compared to a tax expense of $5,201,000 for the year ended December 31, 2018. Deferred tax credit of $1,980,000 is included in the net credit for the current period. This deferred income tax expense is driven primarily by the fair value of biological assets.

NON-IFRS MEASURES

EBITDA, Adjusted Net 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 December 31,		Twelve Months Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net loss	$ (37,125,766)	$ (1,182,621)	$ (57,010,486)	$ (3,077,353)
Net fair value adjustments	(3,344,130)	(3,608,572)	(2,639,663)	(7,844,612)
Listing expense	66,040	-	3,562,883	-
Acquisition related costs	-	-	739,880	-
Inventory adjustment	343,179	-	865,405	-
Share-based compensation	2,616,429	572,869	3,303,297	2,072,706
Intangible Write Offs	28,264,850	-	28,264,850	-
Adjusted net loss (non-IFRS)	$ (9,179,398)	$ (4,218,324)	$ (22,913,834)	$ (8,848,259)
Net loss	$ (37,125,766)	$ (1,182,621)	$ (57,010,486)	$ (3,077,353)
Interest income	(422)	-	(662)	(319)
Interest expense	1,804,171	1,122,673	5,131,622	2,390,422
Accretion expense	(71,142)	-	52,096	-
Income taxes	350,000	1,731,000	(299,000)	5,201,000
Depreciation	308,158	(105,757)	1,368,685	274,319
EBITDA (non-IFRS)	$ (34,735,001)	$ 1,565,295	$ (50,757,745)	$ 4,788,069
Net fair value adjustments	(3,344,130)	(3,608,572)	(2,639,663)	(7,844,612)
Listing expense	66,040	-	3,562,883	-
Acquisition related costs	-	-	739,880	-
Inventory adjustment	343,179	-	865,405	-
Share-based compensation	2,616,429	572,869	3,303,297	2,072,706
Intangible Write Offs	28,264,850	-	28,264,850	-
Adjusted EBITDA (non-IFRS)	$ (6,788,633)	$ (1,470,408)	$ (16,661,093)	$ (983,837)

Net Loss Per Share - basic and diluted for the full years 2019 and 2018 was $(0.71) and $(2.55), respectively.

DRIVERS OF RESULTS OF OPERATIONS

Revenue

The Company derives its revenue from cultivating, manufacturing and distributing cannabis products through its thirteen dispensaries in five states and its wholesale sales to third parties in five states. For the year ended December 31, 2019, 81% of the revenue was generated from retail business and 19% from wholesale business. Wholesale revenues did not begin until the end of Q3 2018. For the year ended December 31, 2018, 98% of the revenue was generated from retail dispensaries.

For the year ended December 31, 2019, New York operations contributed approximately 34% of revenues, while Minnesota contributed 35%, Arizona contributed 15%, Pennsylvania contributed 10%, Maryland contributed 2%, and New Mexico contributed 4%.

For the year ended December 31, 2018, New York operations contributed approximately 56% of revenues, Minnesota contributed approximately 42%, and Pennsylvania contributed 2%.

Gross Profit

Gross profit reflects total net revenue less cost of goods sold. Cost of goods sold represents the costs attributable to producing finished goods, which includes direct materials, labor, and certain indirect costs such as depreciation, insurance and utilities. 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 year ended December 31, 2019, the Company continued to focus on the profitability of the Company's existing operations while pursuing expansion into new markets.

In the markets in which the Company is operational, the Company expects gradual price compression as markets mature. This could place downward pressure on the Company's retail and wholesale gross margins. With that said, 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 its more established operational markets (Minnesota and New York) and increase in developing markets as business continues to grow (Maryland, Pennsylvania, and Ohio). 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, as well as corporate insurance, legal and professional fees associated with being a publicly traded company. The Company expects to maintain spending in these areas and also anticipates stock-based compensation expenses to persist in order to recruit and retain competitive talent.

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, 2019	$ 8,991,909	$ 3,344,127	$ (37,125,766)[1]
Quarter Ended September 30, 2019	$ 7,992,159	$ (9,665,609)	$ (14,565,504)
Quarter Ended June 30, 2019	$ 7,194,312	$ 3,922,150	$ (1,872,457)
Quarter Ended March 31, 2019	$ 5,777,792	$ 5,038,995	$ (3,446,759)
Quarter Ended December 31, 2018	$ 5,627,241	$ 3,608,572	$ (1,182,621)
Quarter Ended September 30, 2018	$ 4,924,238	$ 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)

[1] *intangible asset write-offs of $28,265,850 to reflect changing market conditions in non-core markets.*

Revenues increased quarter over quarter through the three-months ended December 31, 2019, primarily due to market share growth in the Pennsylvania and Maryland wholesale market and increase in patient sales and average transaction revenue. In addition, the Company had 13 operating dispensaries as of December 31, 2019, compared to 8 operating dispensaries as of December 31, 2018. There were no other significant factors, either economic or industry-wide relating to customer buying patterns, competition, production output, or selling practices that contributed to quarterly variances.

LIQUIDITY, FINANCING ACTIVITIES DURING THE PERIOD, AND CAPITAL RESOURCES

As of December 31, 2019, the Company had total current liabilities of $3,759,913 ($4,202,582 as of December 31, 2018) and cash of $7,641,673 ($9,624,110 as of December 31, 2018) to meet its current obligations. As of December 31, 2019, the Company had working capital of $47,385,424 up $9,649,337 compared to December 31, 2018 driven mainly by the RTO subscription net receipts of USD $47,764,958.

During the year ended December 31, 2019, the Company issued 12,090,937 subordinate voting shares 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 $2,826,739 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. In addition, the Company paid a financial advisory fee of $415,000 and had costs in the amount of $379,785. The compensation warrants have been valued at $1,723,741 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 develop assets capable of producing additional revenues and earnings. Capital reserves are also being utilized for capital expenditures and improvements in existing facilities, product development and marketing, as well as to improve the customer experience and operational efficiencies. The Company's ability to fund its operating strategies and make planned capital expenditures 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.

Cash Flows

Cash Used in Operating Activities

Net cash used in operating activities was $22.5 million for the year ended December 31, 2019, an increase of $13.3 million as compared to the year ended December 31, 2018. The increase was due to increases in SG&A expenses, largely driven by transaction costs related to the RTO and employee wages, increased working capital need to scale in new markets, and increased spending on inventory and biological assets.

Cash Flow from Investing Activities

Net cash used in investing activities was $22.6 million for the year ended December 31, 2019, compared to net cash provided of $3.3 million the year ended December 31, 2018. The increase is primarily attributable to the purchases of property and equipment and acquisition related spending. The primary driver of the net cash provided in the prior year was attributable to asset sales related to a sale-lease back transaction.

Cash Flow from Financing Activities

Net cash provided by financing activities was $43.1 million for the year ended December 31, 2019, an increase of $30.2 million as compared to the year ended December 31, 2018. The increase was principally due to the receipt of $51.4 million in proceeds from the RTO and other private placements. Offsetting these cash receipts were share issuance costs of $3.2 million and $5.2 million in lease payments.

The net cash used for the year ended December 31, 2019 was $2.0 million compared to net cash provided of $7.0 in the prior year. The Company ended the year with $7.6 million in cash.

Lease Transactions

The Company has entered into lease agreements for the use of buildings used in cultivation, production and sales of cannabis products in Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico, and Rhode Island.

The lease agreements for all of retail space used for its dispensary operations are with third-party landlords and remaining duration ranges from 1 to 6 years. These agreements are short-term facility leases that require the Company to make monthly rent payments as well as funding common area costs, utilities and maintenance. In some cases, the Company has received Tennent Improvement funds to assist in the buildout of the space to meet the Company's operating needs. As of December 31, 2019, the Company had 7 retail locations secured under these agreements.

The Company has also entered into sale and leaseback arrangements for its cultivation and manufacturing facilities in Minnesota, New York, Pennsylvania and Ohio with a special-purpose real estate investment trust. These leases are long-term agreements that provide, among other things, funds to make certain improvements to the property that will significantly enhance production capacity and operational efficiency of the facility.

The Company received a total of $9,950,760 for tenant improvements as per the terms of its cultivation and manufacturing lease agreements during the year ended December 31, 2019. It is contemplated that the Company will utilize remaining funds available under the leases to build out of existing facilities in 2020 and thus will not require additional funding to complete.

Effective January 1, 2019, the Company adopted IRFS 16 that provides new requirements for the accounting for lease transactions. The Company has recorded its liabilities associated with all of its lease agreements that exceed one year as a Right of Use liability.

Excluding any contracts under one year in duration, the future minimum lease payments (principal and interest) on the all the Company's leases is as follows:

	December 31, 2019
2020	$ 5,831,222
2021	5,737,806
2022	5,891,509
2023	6,030,677
2024	6,200,621
Thereafter	70,465,963
Total minimum lease payments	100,157,798
Effect of discounting	(70,872,290)
Present value of minimum lease payments	29,285,508
Current portion lease obligations	(619,827)
Long term lease obligations	$ 28,665,681

ADDITIONAL INFORMATION

Outstanding Share Data

As at December 31, 2019, the Company had 24,300,903 shares outstanding, consisting of the following:

(a) Subordinate voting shares

23,685,564 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 regards 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

549,928 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 Convertible Promissory Notes

As of December 31, 2019, the company has 23,662,600 employee stock options outstanding, as well as 16,630,309 advisory and compensation warrants related to financing activities, and $817,446 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 two 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

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 consists of all six directors and the Company's Chief Financial Officer.

Key management personnel compensation during the twelve-month period ended December 31, 2019 and 2018 were as follows:

- Salaries and wages paid to key management personnel in the amount of $1,343,621 for the twelve-months ended December 31, 2019 and $835,338 for the twelve-months ended December 31, 2018.
- Share based compensation paid to key management personnel in the amount of $1,636,396 for the twelve-months ended December 31, 2019 and $ $1,184,540 for the twelve-months ended December 31, 2018.
- As of December 31, 2019 – $nil was due from related parties.
- As of December 31, 2019, the Company paid a related party, Salo, LLC for contract staffing expenses in the amount of $295,463.
- Kyle Kingsley, Amber Shimpa, Ari Hoffnung and Stephen Dahmer own Ohio Medical Solutions, Inc and the Company executed a management agreement and option to purchase.

Proposed Transaction

On November 14, 2018, a Vireo subsidiary entered into agreements (the "NV Purchase Agreements") to acquire two Nevada licensees: MJ Distributing C201, LLC ("C201"), which holds a license to cultivate medical marijuana and a conditional license to cultivate recreational marijuana, and MJ Distributing P132, LLC ("P132"), which holds a license to produce medical marijuana and a conditional license to produce recreational marijuana, both of which licenses are tied to a site located in Caliente, Nevada. The NV Purchase Agreements were amended on March 29, 2019, April 5, 2019 and April 11, 2019. Also on April 11, 2019, the parties entered into escrow agreements, which provided, among other things, for the deposit with an escrow agent of the cash and other consideration and the closing documents, including the assignments of the ownership of C201 and P132, which escrows are to be released upon the satisfaction of certain conditions including approval of the ownership transfers by the State of Nevada Department of Taxation ("NDOT"). On October 17, 2019, prior to approval of the transfers of ownership of C201 and P132, NDOT announced an extended review period for transfers and changes of ownership of cannabis licensees, stating that NDOT would not be processing any new or existing applications for transfers or changes of ownership while the extended review was in place. As of May 5, 2020, the extended review was still in place and, as a result, the closing documents and consideration remained in escrow and the ownership transfers have not occurred. Notwithstanding the extended review, the Company has expended approximately $1.9 million to procure entitlements and develop the Caliente site to facilitate prompt market entry once NDOT issues the expected approvals of the requested ownership transfers. If NDOT does not approve one or both transfers of ownership, it could have a material, adverse effect on Vireo's financial projections and business.

Subsequent Events

Subsequent to December 31, 2019, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 pandemic continues to rapidly evolve. Thus far, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities that required temporary closure of many businesses and cessation of public events. While the Company's medical cannabis business has been deemed "essential" in each of the states in which we currently operate, substantial job losses resulting in millions of people filing new applications for unemployment benefits as of the date of these financial statements, many of whom are likely our customers, A reduction in the income or financial security of our customers could result in a material impact to the Company's future results of operations, cash flows and financial condition. Vireo has taken a very proactive approach to protection of its customers and team during the COVID-19 outbreak, with the early implementation of procedures including the use of personal protective equipment, alternative staffing models and sanitation protocols.

Subsequent to December 31, 2019, the Company implemented several strategic initiatives in order to optimize its cost structure and operating model. The objectives of these initiatives are to build sustainable value with changing market conditions and to

improve the Company's operating performance. These initiatives included shuttering the New York corporate office, the related termination of an office lease, the reduction of its workforce by 9% (37 FTEs) and the elimination of certain other costs.

On March 9, 2020, the Company closed the first tranche of a non-brokered private placement offering of 13,651,574 units of the Company (the "Units"). The Offering was authorized at a price per Unit of CAD $0.77 for up to a total amount of U.S. $10,000,000. Each Unit is comprised of one subordinate voting share in the capital of Vireo (a "Share") and one subordinate voting share purchase warrant of Vireo (a "Warrant"). Each Warrant entitles the holder to purchase one Share (a "Warrant Share") for a period of three years from the date of issuance at an exercise price of CAD $0.96 per Warrant Share, subject to adjustment in certain events. Vireo has the right to force the holders of the Warrants to exercise the Warrants into Shares if, prior to the maturity date, the five-trading-day volume weighted-average price of the Shares equals or exceeds CAD $1.44 , subject to adjustment in certain events. The proceeds from this transaction were $7,613,480 net of share issuance costs of $104,173.

On April 10, 2020, the Company, through several of its subsidiaries, entered into three lease amendments to provide additional funding to complete improvements to properties in Minnesota, New York and Pennsylvania. These amendments included, among other things, increased available leasehold improvement funds, the extension of lease term and increased required monthly payment amounts.

Outlook

Vireo has a fundamentally modified, focused outlook entering fiscal year 2020. Vireo anticipates the investments made in 2019, along with execution of core market strategies will yield double-digit organic sales growth for the next foreseeable future. Vireo anticipates the investments made in 2019, along with execution of core market strategies will yield double-digit organic sales growth for the next few years. With a renewed focus on its 6 core markets, Vireo is facing substantially lower capital expenditures for facility build outs. This coupled with dramatically reduced SG&A expenses given reduction in the size of the work force early in 2020 have substantially reduced the outflow of cash leading into fiscal year 2020.

Vireo remains focused on preservation of capital and achieving free cash flow. Vireo intends to sell one or more of its non-core or core assets to generate additional capital as needed. Vireo is also interested in alternative structures that would allow for investment by public companies currently excluded from investing in US cannabis companies.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

(a) Critical accounting estimates and judgements

The application of the Company's accounting policies requires 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.

Estimated useful lives, impairment considerations and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives based on management's judgement.

Goodwill and indefinite life intangible asset impairment testing require management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired.

Impairment of definite-lived assets is influenced by judgement in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

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.

Expected credit loss

Management determines expected credit loss by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the year ended.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets, 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 groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, 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.

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.

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 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.

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, as appropriate, with corresponding gain or loss being recognized in profit or loss.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquire are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(b) 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.

(c) Financial instruments

The Company measures financial assets 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.

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. All financial liabilities held by the Company, 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
Restricted 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

The Company applies 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.

(d) Impairment of financial assets

The Company applies 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. For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions.

(e) 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.

(f) Revenue

The Company's accounting policy for revenue recognition 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.

(g) 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. Balances may include restricted cash amounts related to pending transactions.

(h) 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 adjusted down to net realizable value.

(i) 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' in profit or loss 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.

(j) 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:

Building & Improvements	Straight Line	7 - 39 years
Furniture & Equipment	Straight Line	7 - 10 years
Software	Straight Line	3 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 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.

(k) Leases

IFRS 16, Leases, was issued by the IASB in January 2016. It replaced IAS 17, Leases, for reporting periods beginning on or after January 1, 2019. The Company adopted IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Accordingly, the Company did not restate comparative information and instead recognized the cumulative effect of applying IFRS 16 as an adjustment to the opening balance sheet at the date of initial application. The Company applies the standard only to leases which were previously identified as leases under IAS 17 and IFRIC 4 in accordance with the practical expedient allowed under the standard. The Company's lease arrangements are comprised primarily of building and office leases. The adoption of this standard resulted in almost all current leases being recognized on the statement of financial position, except for short-term and low-value leases. As at January 1, 2019, the Company recognized right-of-use assets of $21,727,385, a corresponding lease liability of $22,987,791, and derecognized deferred rent of $713 and prepaid expenses of $46.

At inception of a contract, the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognizes a right-of-use asset (lease asset) and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The lease asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses (if any). The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company has elected not to recognize lease assets and lease liabilities for short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) 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.

(m) 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.

(n) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

(o) 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 measure 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.

(p) 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.

(q) New or amended standards adopted effective January 1, 2019

The Company has adopted the following new or amended IFRS standards for the interim and annual period beginning on January 1, 2019.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces the previous guidance on leases, predominantly IAS 17, Leases. The Company has applied IFRS 16 with an initial application date of January 1, 2019, in accordance with the transitional provisions specified in IFRS 16. As a result, the Company has changed its accounting policy for lease contracts as detailed below. The Company applied the simplified transition approach and did not restate comparative information. As a result, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the accumulated deficit as of January 1, 2019.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17, and IFRIC 4, determining whether an arrangement contains a lease, were not reassessed for whether there is a lease. The Company applied the definition of a lease under IFRS 16 to contracts entered or changed on or after January 1, 2019.

In accordance with the practical expedients applied, the Company has recognized lease obligation and right-of-use assets at the date of initial application for leases previously classified as operating leases in accordance with IAS 17. The Company has elected not to recognize right-of-use assets and lease obligation for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company has applied IFRS 16 at the date it becomes effective using a modified retrospective approach. By applying this method, the comparative information for the 2018 fiscal year has not been restated.

The following is the Company's policy for accounting for lease contracts in accordance with IFRS 16:

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property and equipment. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest method. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table summarizes the current period impact of adopting IFRS 16 as of January 1, 2019:

As at January 1, 2019	Previously Reported under IAS 17	IFRS 16 Transition Adjustments	As report under IFRS 16
Property, plant and equipment (ROU Asset)	$ 16,312,250	$ 5,415,585	$ 21,727,835
Deferred rent	$ (271,091)	$ 271,091	$ -
Lease liabilities (ROU Liabilities)	$ (17,301,115)	$ (5,686,676)	$ (22,987,791)

IFRIC 23, Uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 became effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. The Company has adopted this interpretation as of its effective date and has assessed no significant impact as a result of the adoption of this interpretation.

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.

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 ($433,129 and $363,589 cash on hand as of December 31, 2019 and 2018, respectively), from which management believes the risk of loss is remote. Receivables relate primarily to wholesale sales. 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 Arizona, Massachusetts, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico and Rhode Island with respect to cultivating, processing, and/or distributing 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 of December 31, 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. Management believes access to traditional investment capital is limited for the foreseeable future and is therefore looking to defer/limit its capital expenditures on new asset growth. The Company is also reviewing strategic asset sales to generate additional cash for investment in core markets. The Company's access to financing is always uncertain. There can be no assurance of continued access to equity or debt financing. *See "Legal Risk" below for further discussion of the Company's access to capital.*

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

The Company and its subsidiaries and affiliates are in compliance with U.S. state law and associated regulatory frameworks to which each of them is subject. However, Vireo and its subsidiaries and affiliates are subject to a wide variety of legal and regulatory risks. The Company attempts to identify and manage these risks by, among other things, employing three full-time attorneys and two additional legal and compliance professionals and consulting with specialized outside experts when deemed necessary or desirable. Company management believes that the programs and procedures that have been developed by its legal and compliance teams that have been implemented throughout the Company and its subsidiaries are sufficient to maintain compliance with applicable laws and regulations within each of the states in which it and its subsidiaries operate. However, there can be no assurance that such programs and procedures are adequate or that Company employees will adhere to such programs and procedures at all times. Noncompliance could lead to citations, fines and other penalties up to and including suspension or loss of one or more licenses and permits that are necessary to operate, which could have a material, adverse effect on the financial results and business of the Company.

Cannabis Remains Illegal under U.S. Federal Law

Vireo U.S. and all of its subsidiaries and affiliates operate in the United States, which has an uncertain regulatory landscape with respect to the enforcement of Federal laws related to cannabis.

The United States Federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) ("CSA"), 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. **THERE CAN BE NO ASSURANCE THAT THE US FEDERAL GOVERNMENT WILL NOT SEEK TO PROSECUTE CASES INVOLVING CANNABIS BUSINESSES THAT ARE OTHERWISE COMPLIANT WITH STATE LAW. VIOLATIONS OF THE CONTROLLED SUBSTANCES ACT COULD SUBJECT THE COMPANY TO MATERIAL FINES, PENALTIES, ADMINISTRATIVE SANCTIONS, CONVICTIONS OR SETTLEMENTS ARISING FROM CIVIL PROCEEDINGS, AND DISGORGEMENT OF PROFITS AND CESSATION OF BUSINESS ACTIVITIES AS A RESULT OF CRIMINAL PROCEEDINGS. ANY SUCH ACTION AGAINST VIREO OR ANY OF ITS SUBSIDIARIES COULD HAVE A MATERIAL, ADVERSE EFFECT ON VIREO'S FINANCIAL RESULTS AND BUSINESS.**

The illegality of cannabis under U.S. Federal law restricts the Company's access to capital.

Because the Company cultivates, processes, possesses, and distributes cannabis products in violation of the CSA, a significant proportion of providers of debt and equity capital are unwilling or unable to enter into financing transactions with the Company. As a result, the Company's access to capital is and may continue to be extremely limited, which inhibits the ability of the Company to fund investments in growth initiatives. The Company's financial results and business are and may continue to be materially, adversely affected by its inability to access capital.

Because of the Federally illegal nature of the cannabis industry, Vireo has 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 that 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 provide banking services to cannabis-related businesses. In addition to the foregoing, banks generally refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, Vireo has limited 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 on the Company's ability to open or maintain bank accounts, obtain loans, lines of credit or other banking services and/or accept credit card and debit card payments currently makes and may continue to make it difficult for the Company to operate and conduct its businesses or to operate efficiently.

The Company's businesses are subject to U.S. state regulatory uncertainty

The rule-making process for cannabis operators at the state level in any state is ongoing and results in frequent changes and inconsistencies. As a result, Vireo has implemented a robust state-based compliance program to manage regulatory risk. All operating policies and procedures implemented in the operation are compliance-based and derived from the state regulatory structure governing cannabis businesses. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will continue to receive and renew the requisite licenses, permits or cards to operate its businesses. In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's businesses operate, in many states local governments may 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 would have a material, adverse effect on the Company's financial results or business.

The Company is aware that certain states have considered or are considering special taxes or fees on businesses in the cannabis industry, while others may in the future implement such special taxes or fees. The imposition of such taxes or fees could have a material, adverse effect upon the Company's financial results or business. The Company's subsidiaries are directly engaged in the cultivation, processing, possession, use, sale or distribution of cannabis in the medicinal cannabis marketplace in the states of Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania and Rhode Island. The Company's subsidiaries also hold preliminary licenses for the cultivation, processing and distribution of medical cannabis in Massachusetts and Puerto Rico. In addition, the Company has a contract to purchase companies with cultivation and processing licenses in Nevada that was closed in escrow during 2019. The conditions for the release of the escrow, including regulatory approval of the ownership transfer, remain unsatisfied. There is a risk that the Nevada regulator will not approve the transfer to a Vireo subsidiary of the ownership of one or both license holders or that other escrow release conditions will not be satisfied.

The regulatory environment for cannabis in the United States may subject the Company to heightened scrutiny by Canadian regulatory authorities.

For the reasons set forth above, the Company's current 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 Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein. 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 the Canadian Depository for Securities ("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 Company's securities are listed on a stock exchange, it would have a material, adverse effect on the ability of holders of those securities to make and settle trades. In particular, the securities would become highly illiquid and, until an alternative was implemented, investors would have no ability to effect a trade of the securities through the facilities of the applicable stock exchange.

The regulatory environment for cannabis in the United States imposes constraints on marketing the Company's products.

The development of the Company'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 Company's ability to compete for market share in a manner similar to other non-cannabis businesses. If the Company 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 Company's financial results could be materially, adversely affected.

Because the cannabis industry remains illegal under U.S. Federal law, the Company 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 Company could have a material, adverse effect on its business and financial results.

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

The Company is 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.

If any of the Company'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 Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The unfavorable tax treatment of cannabis businesses in the United States has negative tax implications for the Company.

Under Section 280E of the United States Internal Revenue Code of 1986, as amended, "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 U.S. 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. 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 Company to deduct certain expenses relating to its business has had and will likely continue to have a material, adverse effect on the financial position of the Company.

The legality of the Company's contracts may come into question given the nature of its business

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

The inability to enforce contractual agreements will have an adverse effect on the financial position and business of the Company.

Regulatory Overview

Several of the Company's subsidiaries are directly engaged in the cultivation, processing, possession, use, sale or distribution of cannabis in the medicinal cannabis marketplace in the states of Arizona, Maryland, Minnesota, New Mexico, New York, Ohio, Pennsylvania, and Rhode Island. The Company's subsidiaries in Massachusetts and Puerto Rico hold licenses for the cultivation, processing, possession, use, sale or distribution of cannabis in those jurisdictions that have not yet been operationalized. In accordance with Staff Notice 51-352, the Company will continue to 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 cannabis regulation. For purposes of Staff Notice 51-352, all the cannabis operations by the Company's subsidiaries in these states are classified as "direct" involvement in the United States cannabis cultivation or distribution industry.

Federal Regulation of Cannabis in the United States

The United States Supreme Court has ruled that Congress has the constitutional authority to enact the existing federal prohibition on cannabis.

While the Company believes that cannabis and cannabis products have a variety of medical uses, with the limited exception of Epidiolex, a pharmaceutical derived from CBD, the United States Food and Drug Administration has not approved cannabis 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 cannabis under the Access to Cannabis for Medical Purposes Regulations, and of recreational cannabis under the Cannabis Act, cannabis is largely regulated at the state level in the United States. State laws regulating cannabis are in direct conflict with the Federal Controlled Substances Act, which makes cannabis use and possession Federally illegal. Although many 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 of the Company's activities are compliant with applicable state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against Vireo.

In August 2013, 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. As an industry best practice, despite the rescission of the Cole Memorandum, Vireo 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 Company retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of its 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.
- The Company 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;
- The Company 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.
- The Company's subsidiaries have implemented inventory-tracking systems and necessary procedures to ensure that inventory is effectively tracked and the diversion of cannabis and cannabis products is prevented.

Attorney General William Barr, who succeeded Attorney General Sessions, has not provided a clear policy directive for the United States related to state-legal cannabis-related activities. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum." Attorney General Barr's statements are not official declarations of US Department of Justice (the "DOJ") policy and are not binding on the DOJ, on any U.S. Attorney or on the Federal courts. Moreover, 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 CSA with respect to 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 U.S. Federal law. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company'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 *Legal Risks*, below, there are significant risks associated with the business of the Resulting Issuer.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called "rider" provision in the FY 2015, 2016, 2017, 2018 and 2019 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against state regulated medical cannabis actors operating in compliance with state and local law. The rider is known as the "Rohrabacher-Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrabacher-Blumenauer" or "Joyce-Leahy" Amendment, but it is referred to in this MD&A as "Rohrabacher-Farr"). In signing Rohrabacher-Farr , President Trump issued a signing statement noting that the Act "provides that the Department of Justice may not use any funds to prevent implementation of medical cannabis laws by various States and territories," and further stating "[he] will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can be fairly read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of cannabis, the President did issue a similar signing statement in 2017 and no major federal enforcement actions followed. The Consolidated Appropriations Act of 2019 expired on September 30, 2019. On September 27, 2019, the President signed into law the Continuing Appropriations Act, 2020, and Health Extenders Act of 2019, which provided continuing appropriations to federal agencies through November 21, 2019. The Continuing Appropriations Act is known as a continuing resolution and prevented a government shutdown that would have otherwise occurred when FY2020 began on October 1, 2019 because the 12 regular appropriations bills that fund the federal government for FY2020 had not been enacted. The continuing resolution funds most projects and activities at the FY2019 levels with several exceptions that provide funding flexibility and additional appropriations to various programs. Notably,

Rohrabacher-Farr has applied only to medical cannabis programs and has not provided the same protections to enforcement against adult-use activities.

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's subsidiaries currently hold licenses.

Arizona

Arizona Regulatory Landscape

On November 2, 2010, Arizona voters enacted a medical cannabis initiative — Proposition 203 — with 50.13% of the vote. The Arizona legislature thereafter enacted the Arizona Medical Marijuana Act, decriminalizing the medical use of cannabis. 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 cannabis program conflicted with federal law. Her lawsuit was rejected in 2012.

The Arizona Legislature subsequently rolled back some of Prop. 203's protections, such as possibly allowing an employer to fire a medical cannabis 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 cannabis patient data to the prescription drug-monitoring program. In 2015, the legislature again 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 cannabis.

To qualify under Arizona's program, patients must have one of the listed debilitating medical conditions: cancer; HIV/AIDS; hepatitis C; glaucoma; 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, including those characteristics of multiple sclerosis.

Vireo Licenses in Arizona

All medical cannabis certificates are vertically integrated and authorize the holders to cultivate and dispense medical cannabis to patients. Certificate holders must be not-for-profit entities. Elephant Head Farm, LLC ("EHF") and Retail Management Associates, LLC ("RMA"), which are subsidiaries of Vireo, perform fee-based management services consisting of the operation of one dispensary and one cultivation and processing facility for a non-profit licensee, Arizona Natural Resources ("ANR"). Vireo representatives also constitute a majority of the board of directors of ANR. The non-profit licensee holds a Medical Marijuana Dispensary Registration Certificate, Approvals to Operate issued by the DHS and a Special Use permit issued by the city of Phoenix, which permits the non-profit licensee to own a single dispensary in Phoenix and a cultivation and processing facility in southern Arizona.

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 cannabis 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 DHS requires that dispensaries implement policies and procedures regarding inventory control, including tracking, packaging, acquisition and disposal of cannabis. ANR 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 cannabis laws and regulations. ANR is required to submit audited financial statements annually to DHS.

Maryland

Maryland Regulatory Landscape

In 2012, a state law was enacted in Maryland to establish a state-regulated medical cannabis program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Natalie M. LaPrade Maryland Medical Cannabis Commission ("MMCC") regulates the state program and awarded operational licenses in a highly competitive application process. The market is divided into three primary classes of licenses: dispensary, cultivation and processing. 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 cannabis program was written to allow access to medical cannabis 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.

In April 2018, Maryland lawmakers agreed to expand the state's medical cannabis industry by adding another 20 licenses, 7 for cultivation and 13 for processing. Permitted products for sale and consumption include oil-based formulations, dry flower and edibles and other concentrates.

Vireo Licenses in Maryland

Vireo has 100% ownership of MaryMed, LLC, which holds one cultivation and processing license allowing it to operate a cultivation and processing facility in eastern Maryland. The license permits MaryMed, LLC, to cultivate and process medical cannabis and medical cannabis products.

Pending Vireo License in Maryland

MaryMed's Phase 1 approval for one dispensary license for medical cannabis was granted and it is in the process of applying for Phase 2 approval. MaryMed has been unable to identify a municipality in its authorized region that will permit operation of a medical cannabis dispensary. As a result, MMCC has authorized MaryMed to locate a dispensary in a different region.

Maryland Licenses and Regulations

Maryland licenses are valid for a period of six years and are subject to six-year renewals after required fees are paid and provided that the business remains in good standing. Renewal requests are typically communicated through email from the MMCC 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 use this system for all reporting.

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. Beginning in August 2020, two additional qualifying conditions will be added: chronic pain and age-related macular degeneration. The Medical Cannabis Program is regulated and administered by the Minnesota Department of Health which oversees all cultivation, production and distribution facilities. In the initial program the Minnesota Department of Health had registered two manufacturers, with each manufacturer having licenses for four distribution facilities across the state, so that each of the state's eight Congressional districts contained a single dispensary. During the 2020 legislative session, the state enacted legislation that permits each manufacturer to open four additional distribution facilities, in the Congressional districts

where it does not currently operate, so that each Congressional district will be served by one dispensary from each of the approved manufacturers.

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 several 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.

Vireo Licenses in Minnesota

Minnesota Medical Solutions, LLC ("MinnMed"), which is 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.

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 paid in 2019 was $146,000 and is non-refundable. Additionally, 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 expects 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. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business and financial results.

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 currently uses Leaf Logix to satisfy its reporting requirements.

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 cannabis by New Mexico residents and created the New Mexico Medical Cannabis Program ("NMMCP"). It allows practitioners to prescribe medical cannabis to patients with a debilitating medical condition (as defined in the Compassionate Use Act). Currently, there are at least 28 qualifying conditions under 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, approximately eight (8) ounces. In 2019, New Mexico announced it would begin permitting non-residents of the state to obtain cannabis under the Compassionate Use Act. However, in early 2020, that decision had been reversed. As of April 2020, there were over 80,000 patients registered in the program.

Vireo Licenses in New Mexico

Vireo Health of New Mexico, LLC, a wholly-owned subsidiary of Vireo, currently operates two dispensaries located in Santa Fe and Gallup and a cultivation and processing facility located in Gallup for Red Barn Growers, 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 manufactures 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 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 are required to apply 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 of Health, to obtain and administer medical cannabis products on behalf of the patients.

There are ten registered organizations, which each hold a vertically integrated license allowing the cultivation, manufacture, transport, distribution and dispensation of medical cannabis. Registered organizations may only manufacture medical cannabis products in forms approved by the Commissioner of the Department of Health. 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, capsules for oral administration, topicals and patches. The Compassionate Care Act expressly provides that a certified medical use of cannabis does not include smoking and that all prices must be approved by the Department.

Each registered organization 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.

Governor Cuomo has on several occasions indicated his intent to introduce legislation authorizing adult-use cannabis in New York. It is unclear how any such legislation will interact with the current medical cannabis regime and what effect, if any, such proposal will have on the business of Vireo.

Vireo Licenses in New York

Through its subsidiary Vireo Health of New York, LLC, Vireo holds one of ten vertically integrated medical cannabis licenses. It currently has a manufacturing and production facility in Johnstown, NY and four dispensaries throughout the State in New York City (Queens) County, Binghamton, White Plains and Albany**.** It also operates a home-delivery service based out of its Queens dispensary.

Vireo's New York cultivation and processing facility is approximately 21 acres and 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.

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. 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,

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 cannabis 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 cannabis.

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 cannabis cultivators, processors and testing laboratories; (2) the State of Ohio Board of Pharmacy is responsible for overseeing medical cannabis retail dispensaries, the registration of medical cannabis patients and caregivers, the approval of new forms of medical cannabis and coordinating the Medical Marijuana Advisory Committee; and (3) the State Medical Board of Ohio is responsible for certifying physicians to recommend medical cannabis and may add to the list of qualifying conditions for which medical cannabis can be recommended.

Vireo Licenses in Ohio

Ohio Medical Solutions, Inc. ("OMS") was awarded a Stand Alone Processor Certificate of Operations on August 8, 2019, for its facility in Akron. OMS is owned exclusively by four Vireo executives and its business is managed by Vireo under a management agreement. OMS has also 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.

Ohio Licenses and Regulations

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

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 starting September 8, 2018. Per the program rules, the Board will consider, on at least a biennial basis, whether enough medical cannabis dispensaries exist, considering the state population, the number of patients seeking to use medical cannabis, 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 cannabis 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.

Vireo Licenses in Pennsylvania

Vireo operates in Pennsylvania through its subsidiaries, Pennsylvania Medical Solutions, LLC ("PAMS") and Pennsylvania Dispensary Solutions, LLC ("PDS"). PAMS was awarded one of the first 12 issued medical cannabis cultivation and processing licenses. The license authorizes PAMS to wholesale products to up to 150 licensed dispensary locations in Pennsylvania. Since obtaining its license, PAMS opened a production facility in northeast Pennsylvania and wholesales its products to the majority of third-party dispensaries in the State. PDS is authorized to operate up to three dispensaries in the northeast region of Pennsylvania. It currently operates dispensaries in Scranton and Bethlehem and is developing a dispensary in Stroud Township.

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 cannabis 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 cannabis 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 cannabis 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.

Vireo Licenses in Puerto Rico

XAAS Agro, Inc., which is a wholly-owned 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.

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 and it prohibits importing cannabis or cannabis seeds into Puerto Rico.

Puerto Rico Reporting Requirements

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 and it prohibits importing cannabis or cannabis seeds into Puerto Rico.

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 cannabis. 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 cannabis 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 cannabis 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.

Rhode Island Licenses and Regulations

Rhode Island's medical cannabis 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 cannabis and medical cannabis 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 classes 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.