BODY AND MIND, INC.
(formerly DEPLOY TECHNOLOGIES INC.)
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED JANUARY 31, 2018
Filed APRIL 3, 2018

The following is Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Body and Mind, Inc. (formerly Deploy Technologies Inc.) ("BaM", "Deploy" or the "Company") for the six months ended January 31, 2018. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended January 31, 2018 and the audited financial statements for the fiscal year ended July 31, 2017 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in U.S. Dollars unless otherwise indicated.

INTRODUCTION

The Company is a development stage company and will employ a system of internal controls, consistent with reasonable costs, to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable, and timely financial information. These financial statements have been reviewed with management and have been approved for issuance by the Board of Directors on April 3, 2018. The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The MD&A provides readers with information essential to understand BaM's current operations, results and financial performance, and to evaluate the future prospects of the Company. The preparation of the financial statements and related disclosures in conformity with IFRS requires management to make estimates that affect the reported amounts of assets, liabilities, revenue, expenses and contingencies.

Management bases its estimates on historical experience and on other assumptions that are believed, at the time, to be reasonable under the circumstances.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements relate to anticipated financial performance, business prospects and strategies. With the exception of historical data, information and statements in this report, certain information and statements in this report that covers expected results of the Company should be considered forward-looking.

Such forward-looking statements involve risks, uncertainties and other factors, which may cause actual results, performance or achievements of BaM to be materially different from future results, performance or achievements expected or implied by such forward-looking statements. Some of the factors contributing to this uncertainty are fluctuations in quarterly and annual results, the ability of BaM to identify, complete and then efficiently integrate acquisitions and strategic activities over the long term, demand for the products and service offered by BaM, industry price pressure, as well as market forces, economic cycle, and the strength of regional economies in Canada, United States and elsewhere where BaM conducts its business. The foregoing list of important factors is not exhausting.

OVERALL PERFORMANCE

On May 15, 2017, the Company entered into an assignment and novation agreement (the "Assignment Agreement") with Toro Pacific Management Inc. (the "Transferor") pursuant to which the Transferor assigned a letter of intent (the "LOI") effective May 12, 2017 to the Company in accordance with its terms. The Assignment Agreement and the LOI contemplated a business combination transaction (the "Acquisition") to acquire all of the issued and outstanding securities of Nevada Medical Group LLC ("NMG"), an arm's length Nevada-based licensed producer of medical marijuana and owner of the Body & Mind brand.

As consideration for the Assignment Agreement, the Company issued to the Transferor 1,000,000 common shares of the Company at a deemed price of $0.66 per share.

On September 14, 2017, the Company and the Company's wholly-owned subsidiary, DEP Nevada Inc. ("NevadaCo"), entered into a definitive agreement (the "Share Exchange Agreement") with NMG. Pursuant to the Share Exchange Agreement, NevadaCo acquired all of the issued and outstanding securities of NMG in exchange for the issuance of the Company's common shares and certain cash and other non-cash consideration, as further described below (the "Acquisition").

In connection with the Acquisition, the Company completed a consolidation of common shares on a ratio of 3:1 (the "Consolidation") and completed the Concurrent Financing (as described below).

The Company completed a concurrent equity financing to raise aggregate gross proceeds of not less than $4,000,000 through the issuance of subscription receipts ("Subscription Receipts") with each Subscription Receipt convertible into one common share of the Company and one share-purchase warrant of the Company, at a price of CDN$0.66 per Subscription Receipt (the "Concurrent Financing"). In consideration for all of the issued securities of NMG, the NMG securityholders (collectively, the "NMG Members") received, on a pro rata basis, (a) 16,000,000 common shares of the Company ("Payment Shares") at a deemed price of $0.66 per share (the "Share Exchange"), (b) $2,000,000 cash, and (c) a non-interest bearing promissory note in the original principal amount of $2,000,000 (the "Promissory Note").

The Promissory Note is secured by a senior priority security interest in all assets of the Company, to be paid at the earlier of fifteen (15) months from the closing date of the Acquisition or, if an equity or debt financing subsequent to the Concurrent Financing is closed in an aggregate amount of not less than $5,000,000, then within 30 days of the closing date of such subsequent financing. The Company expects to assume NMG's obligations pursuant to a loan in the amount of $400,000, payable to TI Nevada, LLC, of which $225,000 was paid on Closing (as defined below) and the remaining $175,000 will be paid within 15 months of the Closing Date (as defined below). Further, the Company reimbursed NMG (up to $84,000) for expenditures incurred prior to the Closing Date which are related to the acquisition of production equipment.

On November 6, 2017, the Company received a conditional approval from the CSE for listing of the resulting issuer following the Acquisition. On November 14, 2017 the Company closed its Acquisition.

As a result of the acquisition of NMG, the Company changed its business focus to growing and supplying medical and recreational marijuana in the state of Nevada.

BaM maintains current reporting and disclosure through SEDAR and the Canadian Securities Exchange ("CSE").

RESULTS OF OPERATIONS

Revenues

On November 14, 2017, the Company closed the Acquisition of NMG and, as a result, consolidated the result of operations of NMG from the date of acquisition. For the period from November 15, 2017 to January 31, 2018, the Company reported total sales of $831,455 and cost of sales of $268,175 for a gross margin of $563,280.

For the six months ended January 31, 2017, the Company had no revenue generating activities.

Operating Expenses

Operating expenses totaled $1,912,863 for the six months ended January 31, 2018 compared with $46,513 for six months ended January 3, 2017. The change in general and administrative expenses relate to a number of factors, but mainly attributed to the process of finalizing its acquisition agreement with NMG which resulted in an increased in listing fees, professional fees and consulting fees. The Acquisition was completed on November 14, 2017 and, as a result, the results for the six months ended January 31, 2018 are consolidated with the results of NMG from the date of acquisition.

Of the $1,912,863 expenses for the six months ended January 31, 2018, a total of $471,408 relates to non-recurring listing fees as part of the Acquisition of NMG. In addition, the Company granted stock options to various officers, directors, employees and/or consultants, resulting in a non-cash stock-based compensation of $733,679 calculated using the Black-Scholes Option Pricing Model.

A total of $148,277 relates to management and consulting fees paid/accrued to the Chief Executive Officer, Chief Financial Officer and former Chief Executive Officer and $9,545 relates to accounting fees paid/accrued to the former Chief Financial Officer and a director.

Another factor contributing to the change in the general and administrative expenses was the variation in exchange rates. The Company's functional currency is the Canadian dollar and its reporting currency is the United States dollar.

For the quarter ended January 31, 2018, operating expenses totaled $1,536,146 compared with $36,141 for the quarter ended January 31, 2018. Commencing November 14, 2017, the Company consolidated its results of operation with the results of NMG. In addition, the Company recorded a non-cash stock-based compensation of $733,679 as explained above.

Net Loss

Net loss for the six months ended January 31, 2018 totaled $1,419,935 compared with a net loss of $111,599 for the six months ended January 31, 2017.

Net loss for the quarter ended January 31, 2018 totaled $969,427 compared with a net loss of $32,777 for the quarter ended January 31, 2018.

Other items, including foreign exchange loss, were similar for both periods.

The increase in net loss is mainly due to the increase in general and administrative expenses as discussed above.

Other Comprehensive Income

The Company's functional currency is the Canadian dollar and its reporting currency is the U.S. dollar. At each balance sheet date, assets and liabilities that are denominated in a currency other than U.S. dollars are adjusted to reflect the current exchange rate which may give rise to a foreign currency translation adjustment accounted for as a separate component of stockholders' equity and included in other comprehensive income. The Company recorded translation adjustments of $132,920 and $64,878 for the six months ended January 31, 2018 and 2017, respectively. The amounts are included in the statement of operations as other comprehensive gain for the respective periods.

Total Assets

The Company's total assets amounted to $17,491,239 at January 31, 2018, compared with $515,905 at July 31, 2017. The increase between periods is largely attributable to the business combination on November 14, 2017 with NMG. As part of the Acquisition, the Company recorded an intangible assets, brand and licenses, in the amount of $12,408,484. In addition, there was an increase in cash as a result of the various private placements related to the concurrent financing in connection to the Acquisition and additional financing in December 2017 resulting in aggregate proceeds of $5,103,656.

Authorized and Issued Shares:

Authorized Capital:

The authorized capital of the Company consists of 900,000,000 Common Shares with a par value of $0.0001.

In connection with the Acquisition, on November 14, 2017, the Company eliminated its authorized Class A Preferred shares and completed a consolidation of its common shares on the basis of three (3) pre-Consolidation common shares to one (1) post-Consolidation common share. Unless otherwise noted, all figures in the financial statements are retroactively adjusted to reflect the consolidation.

Issued and Outstanding Shares

47,704,317 Common Shares at January 31, 2018 (July 31, 2017 – 19,137,783) and as at the date of this report.

On March 13, 2017, a total of 150,000 Class A preferred shares were converted into 500,000 common shares of the Company.

On May 8, 2017, the remaining 2,325,500 Class A preferred shares were converted into 7,751,792 common shares of the Company.

On August 15, 2017 and August 16, 2017, the Company closed the first two of four tranches of a non-brokered private placement and issued 8,276,294 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$5,462,369.

On October 31, 2017, the Company closed a third tranche of a non-brokered private placement and issued 757,666 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$500,060.

On November 1, 2017, the Company closed a fourth and final tranche of a non-brokered private placement and issued 68,181 Subscription Receipts at a price of CAD$0.66 per Subscription Receipt for aggregate gross proceeds of CAD$45,000.

On November 14, 2017, the Company issued a total of 18,827,000 common shares valued at $9,940,656 in connection with the Acquisition of NMG.

On November 14, 2017, a total of 9,739,534 Subscription Receipts converted to 9,739,534 common shares and 9,739,534 share purchase warrants exercisable at CAD$0.90 for a period of 24 months pursuant to the closing of the Acquisition of NMG. The Company issued a total of 367,286 brokers' warrants with a fair value of $62,138 (CAD$78,122) in connection with these financings.

On December 1, 2017, the Company closed a non-brokered private placement of 637,393 units at a price of CAD$0.66 per unit for aggregate gross proceeds of CAD$420,680. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of CAD$0.90 per warrant for a period of 24 months from the closing.

Stock Options and Share Purchase Warrants

On November 24, 2017, the Company issued an aggregate of 3,850,000 stock options in accordance with the Company's stock option plan at an exercise price of CDN$0.66 per share for a five year term expiring November 24, 2022. The options were granted to officers, directors and consultants of the Company. The fair value of the stock options was calculated to be $733,679 using the Black-Scholes Option Pricing Model.

As at the date of this report, the Company had 3,850,000 stock options outstanding and exercisable at CAD$0.66 per share.

As at the date of this report, the Company had the following warrants outstanding:

Number of warrants outstanding and exercisable	Exercise price	Expiry dates
248,350	CAD$0.66	15 August 2019
58,324	CAD$0.66	16 August 2019
60,612	CAD$0.66	3 November 2019
9,102,141	CAD$0.90	14 November 2019
637,393	CAD$0.90	1 December 2019
10,106,820		

Related Party Transactions

Except as disclosed elsewhere in the Company's financial statements, related party transactions for the six months ended January 31, 2018 and 2017 are as follows:

a) During the six months ended January 31, 2018, accounting fees of $9,545 (2016 - $6,054) were paid/accrued to the former Chief Executive Officer and a director of the Company.

b) During the six months ended January 31, 2018, consulting fees of $69,323 (2016 - $Nil) were paid/accrued to a company controlled by the Chief Executive Officer of the Company.

c) During the six months ended January 31, 2018, management fees of $42,823 (2016 - $Nil) were paid/accrued to a company controlled by a director of the Company.

d) During the six months ended January 31, 2018, management fees of $23,862 (2016 - $Nil) were paid/accrued to the Chief Financial Officer of the Company.

e) During the six months ended January 31, 2018, management fees of $2,724 (2016 - $Nil) were paid/accrued to the former Chief Executive Officer of the Company.

f) During the six months ended January 31, 2018, management fees of $9,545 (2016 - $Nil) were paid/accrued to the former Chief Financial Officer of the Company.

g) During the six months ended January 31, 2018, the Company paid a deposit of $250,000 as an initial capital contribution to Pepper Lane North LLC (see *Proposed Transactions*).

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Cash Flow Information

a) Operating Activities

Cash flow used in operating activities totaled $1,144,572 and $84,178 during the six months ended January 31, 2018 and 2017, respectively. Cash used in operating activities increased significantly in 2018 as a result of the Company's finalization of the Assignment Agreement and the Share Exchange Agreement with NMG.

b) Investing Activities

On November 31, 2017, the Company closed the Acquisition of NMG and resulted in net cash outflow of $2,444,633. In addition, following the business combination, the Company purchased additional property and equipment for $85,335.

On December 18, 2017, the Company entered into an agreement with a real estate investment group, led by the Company's President, who will purchase a building adjacent to the existing facility and lease it back to a newly formed partnership called Pepper Lane North LLC ("PLN" or "Partnership"). PLN is a strategic partnership between the Company and one of the preeminent dispensary chains in the State of Nevada. The PLN's partner will also transfer an active cultivation license to the facility and all expenditures under the PLN will be funded on a 50/50 basis. Under the Partnership, each party has provided an initial capital contribution to PLN in the amount of $250,000.

There were no investing activities in 2016.

c) Financing Activities

From August 2017 to November 2017, as part of the Concurrent Financing requirement of the Share Exchange Agreement with NMG, the Company raised CAD$6,007,429 by issuing 9,102,165 Subscription Receipts at a price of $0.66 per Subscription Receipt. On November 14, 2017, each Subscription Receipt converted into one common share of the Company and one share purchase warrant of the Company exercisable at a price of CAD$0.90 for a period of 24 months from the date of issuance.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for each of its eight most recently completed quarters.

	Quarters Ended							
	31	31	31	30	31	31	31	30
	January	October	July	April	January	October	July	April
	2018	2017	2017	2017	2017	2016	2016	2016
Net Income (Loss)	$ (969,427)	$ (450,508)	$ (214,324)	$ (31,145)	$ (32,777)	$ (78,822)	$ 612,631	$ (19,416)
Foreign Currency Translation Adjustment	$ 206,648	$ (73,728)	$ 34,683	$ (9,482)	$ (11,123)	$ 76,001	$ 50,554	$ (108,338)
Comprehensive Income (Loss)	$ (762,779)	$ (524,236)	$ (179,641)	$ (40,627)	$ (43,900)	$ (2,821)	$ 663,185	$ (127,754)
Basic and Fully Diluted Income (Loss) per share	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.03)	$ 0.28	$ (0.01)
Weighted average number of shares outstanding	43,239,457	19,137,658	6,628,958	3,546,218	2,185,991	2,185,991	2,185,991	2,185,991

During the fourth quarter ended July 31, 2017, the Company's General and Administrative expenses were $221,982, of which $127,766 relates to consulting fees in connection with the Share Exchange Agreement with NMG. The increased consulting and professional fees continued into the first quarter ended October 31, 2017.

On November 14, 2017, the Company closed the Acquisition of NMG, resulting in a significant increase in operating activities with the new medical and recreational marijuana operation in the state of Nevada. During the quarter ended January 31, 2018, the Company reported net income of $335,924 from its NMG operations; and a net loss of $1,755,859 from the Canadian head office for management, consulting, legal and accounting, and other office related expenses.

During the fourth quarter ended July 31, 2016, the Company recorded a gain of $651,053 from settlement of liabilities with its former officers and directors resulting in a significant net income for the quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital was $2,318,854 as of January 31, 2018 and $218,928 as of July 31, 2017. The working capital includes amounts owing to related parties of $12,480 as of January 31, 2018.

Working capital improved significantly during the six months ended January 31, 2018 as a result various financings in connection with the Acquisition of NMG.

The Company issued a promissory note in the amount of $2,000,000 and another for $175,000 in connection with the Acquisition of NMG.

There were no long-term payable as of July 31, 2017.

SUBSEQUENT EVENTS

On December 21, 2017, the Company and Friday Night Inc. ("Friday Night" or "TGIF") announced an all-stock acquisition. The transaction was expected to be structured by way of an amalgamation between the Company and a wholly owned Nevada subsidiary of TGIF, in which the shareholders of the Company will receive common shares in the capital of TGIF (the "TGIF Shares") in exchange for their shares of the Company ("BAM Shares"). In February 2018, the LOI with Friday Night was mutually terminated.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies all financial instruments as either financial assets or liabilities at fair value through profit or loss (“FVTPL”), held to maturity, loans and receivables, available-for-sale and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in accumulated other comprehensive income. FVTPL instruments are measured at fair value with unrealized gains and losses recognized on the statement of loss and comprehensive loss.

The Company has designated cash as FVTPL, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade payables and loans payable are classified as other financial liabilities which are measured at amortized cost.

NEW STANDARDS NOT YET ADOPTED

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity’s own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 15, Revenue Recognition, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

On 18 December 2017, the Company reached an agreement with a real estate investment group, led by the Company's President, who will purchase a building adjacent to the existing facility and lease it back to a newly formed partnership called Pepper Lane North LLC ("PLN" or "Partnership") on a long-term basis with renewal options. PLN is a strategic partnership between the Company and one of the preeminent dispensary chains in the State of Nevada. The PLN's partner will also transfer an active cultivation license to the facility and all expenditures under PLN will be funded on a 50/50 basis. The new facility will primarily consist of flowering rooms as production, packaging, distribution, and head office functions will remain at the existing facility. The Company has also earmarked approximately 4,000 square feet of frontage for a dispensary upon receipt of a retail license. It is contemplated that at least half of the sales under PLN will be sold to the PNL partner through their existing dispensary network. In addition, the Company has signed an operating and management agreement with PLN and will receive the greater of $15,000/month or 10% of PLN's net profits. Prior to entering the Partnership, the Company engaged surveyors to ensure compliance with permitting procedures and received the necessary approvals to move forward. The Company was later notified that a church was leasing office space in a commercial building located in close proximity of the Pepper Lane building and that permitting was unlikely to proceed. The Company has put an insurance claim to recover damages.

The Company have completed agreements with two other companies for the application of new medical licenses in Ohio and Arkansas.

a) Ohio Application – In the event that the Ohio application is successful, the Company will retain a 30% interest in the license and will be the operator of the license. The Company will maintain a right of first refusal with respect to the remaining 70% interest. The Company has received notification that the Cultivation license application was not successful. The Company is currently appealing the cultivation application, processing 2 dispensary applications, and processing 1 production application.

b) Arkansas Application – An in-state investor group ("Investor Group") has agreed to fund the Arkansas application. In the event the Arkansas application is successful, the Company and the Investor Group will endeavour to complete a definitive partnership and operating agreement. The cultivation application was denied; however, an Arkansas judge barred the issuance of any license. The Company is still processing 2 dispensary applications.

COMMITMENT

On 11 November 2014, NMG entered into a five year lease for its premises. The Company has five options to extend the lease and each option is for five years. The monthly rent was $12,500, increased to $15,000 on 1 January 2018.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the six months ended January 31, 2018, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for the period ended January 31, 2018 (together the "Interim Filings").

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

GOING CONCERN

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are stated in U.S. dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for the period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from these estimates.

The Company's interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the development stage, the Company has incurred operating losses since inception, is generating minimal revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and continue its development activities. The Company's ability to continue as a going concern is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in future.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classifications on the statement of financial position used, and such adjustments would be material.

RISK FACTORS

Marijuana Industry and Operational Risks

The Company operates in the cannabis industry in the State of Nevada, United States. Nevada was one of the first states to legalize adult-use cannabis and is projected to remain a significant market in the U.S., largely due to the tourism industry.

There are certain risks involved with such business activities, including:

- Cannabis is illegal under US federal law, but has been legalized by many US states;
- the activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- third parties with which the Company does business, including banks and other financial entities, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;

- the operation of the Company can be impacted by adverse changes and developments affecting the Company’s interests;
- the Company has a history of net losses, may incur significant losses in the future and may not achieve or maintain profitability;
- even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.
- there is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company’s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that the future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;
- the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury.
- the Company’s products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure.
- the Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed;
- the Company and other interests face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;

- the Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada or the United States. A failure in the demand for its products to materialize because of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- the Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems of controls;
- the Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- the Company could fail to integrate subsidiaries and other interests into the business of the Company;
- completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
- certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- the Company, its other interests may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- the market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- there can be no assurance that an active liquid market for the shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- the Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings; and
- the Canadian Depository for Securities Limited ("CDS") may be considering a policy change with respect to issuers with U.S. cannabis assets. A policy change, if implemented, could affect the Company's current operations and/or disqualify its ability to settle its securities with CDS.

Disclosure Regarding the Company's Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities. The Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in the public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Nature of the Company's Involvement in the U.S. Cannabis Industry

The Company is directly involved (through its wholly-owned subsidiary Nevada Medical Group LLC) in the cannabis industry in the State of Nevada, United States, where local and state law permits such activities. Currently, the Company is directly engaged in the cultivation, manufacture, importation, possession, use, sale or distribution of cannabis in the medical or recreational cannabis marketplace in the United States.

Illegality under U.S. Federal Law

Almost half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or recreational level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, activities within the cannabis industry are illegal under U.S. Federal Law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis related businesses in the United States are subject to a higher degree of uncertainty and risk. Unless and until the US federal government amends the CSA with respect to cannabis, there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Issuer's business, revenues, operating results and financial condition as well as the Issuer's reputation, even if such proceedings were concluded successfully in favour of the Issuer.

There is also the risk that the Issuer's investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. 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 invest in the United States or any other jurisdiction.

U.S. Federal Enforcement Priorities

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") acknowledging that although cannabis is a controlled substance at the federal level, several US states have enacted laws relating to cannabis for medical purposes. 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.

However, the Department of Justice ("DOJ") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ 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, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. After taking office, Attorney General Jeff Sessions established a task force to study cannabis but so far, they have issued no final conclusions. As such, the enforcement of US federal laws with respect to cannabis remains uncertain and subject to change. The Company's involvement in the US cannabis industry will be made (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only after it has fully complied with such state (and local) laws and regulations and have the licences, permits or authorizations to properly carry on each element of their business.

Additional Disclosure for Junior Issuers

Ability to Access Private and Public Capital

The Issuer has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Issuer expects to continue to rely almost exclusively on the capital markets to finance its investments in the US cannabis industry. Although such investments carry a higher degree of risk, and despite the illegal nature of cannabis under U.S. federal laws, Canadian based issuers involved in making U.S. cannabis based investments have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Issuer will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate US federal laws.

OUTLOOK

In November 2017, the Company completed the acquisition of NMG as well as the concurrent financing. The acquisition represents a "fundamental change" and was structured as a business combination.

The Company now shifts its focus to its new business, being the Nevada-based licensed producer of medical marijuana.

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