

GOLDEN LEAF HOLDINGS LTD.

**13315 Airport Way Suite 700
Portland, OR 97230**

Management's Discussion & Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2017

Date: November 29, 2017

General

This Management's Discussion & Analysis ("MD&A") of Golden Leaf Holdings Ltd. ("Golden Leaf", "GLH" or the "Company") has been prepared by management and should be read in conjunction with the unaudited financial statements and accompanying notes for the six and nine months ended September 30, 2017. The unaudited financial statements, together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to future performance. The unaudited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the operating results of the Company.

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2017. The information contained within this MD&A is current to November 29, 2017.

The Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in U.S dollars unless noted otherwise.

Additional information relating to the Company, including regulatory filings, can be found on the SEDAR website at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as "believes", "anticipates", "expects", "plans", "may", "estimates", or words of a similar nature. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made. Readers are therefore advised to consider the risks associated with any such forward-looking statements, which speak only as of the date

the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth herein.

Overview

Golden Leaf was incorporated on April 12, 2011 as “Longacre Resources Inc.” (“**Longacre**”) under the *Business Corporations Act* (British Columbia). Golden Leaf Holdings Inc. (“**GLHI**”) was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) (“**OBCA**”) on April 8, 2014.

On October 6, 2015, Longacre completed a reverse takeover of GLHI (the “**RTO**”). Pursuant to the RTO, Longacre, 2470251 Ontario Inc. (“**Subco**”), a wholly-owned subsidiary of Longacre, and GLHI completed a three-cornered amalgamation. Upon completion of the RTO (the “**RTO Closing**”) common shares of the Company (the “**Common Shares**”) were issued to former shareholders of GLHI, on a one-for-one basis and the business and shareholders of GLHI became the business and shareholders of the Company. The Company filed Articles of Continuance in Ontario and continued as a corporation governed under the laws of the Province of Ontario under the name “Golden Leaf Holdings Ltd.”

The registered and head office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1 and its principal place of business is located at 13315 NE Airport Way STE 700, Portland, Oregon 97230.

Business of the Company

The business of the Company is cannabis wholesale, retail and manufacturing business with operations in Nevada and Oregon, with an acquired Canadian subsidiary, which acquisition has closed as of the date of this report. In Oregon, the Company is a leading cannabis oil products company providing medical and adult users with a superior value experience. The Company also owns five retail dispensaries in Oregon. Golden Leaf leverages a strong management team with cannabis and consumer packaged goods experience. The Company is focused on developing the lowest cost production of highest quality oils through its competitive advantage rooted in economies of scale and intellectual property. Golden Leaf is dedicated to partnering with industries, communities and regulators.

The Company’s branded products are sold in over half of the dispensaries in Oregon. As the adult-use market grows, the Company expects market share to increase with the growing preference for oils and edibles.

Recent History

JuJu Joints

On March 16, 2017, the Company announced it had signed a binding Letter of Intent (LOI) to acquire the assets and business of JuJu Joints (the "JuJu Transaction"). JuJu Joints is a leading disposable cannabis oil vape e-joint product that utilizes proprietary vape technology and has established strong brand equity and market penetration in Washington State, Oregon, Nevada, California and Canada. Pursuant to the JuJu Transaction, JJ 206, LLC ("JuJu Co") will receive cash consideration of CDN \$3.0 (US\$2.25) million and, subject to adjustment in certain circumstances, an aggregate of CDN \$3.0 (US\$2.25) million of common shares of GLH on the closing date of the Transaction.

The Company's Directors officially resolved not to purchase JuJu joints as on November 14, 2017.

Aurora property

The Company put its Aurora property for sale in Q1 2017 and received and accepted an offer of \$2.2M. An impairment of \$1.6M has been recorded in the financial statements. On September 25, 2017 the Company closed on the sale of its property in Aurora for a total sale price of \$2.2M. To incent the holders of these debentures secured by this property to convert to shares these debentures were converted at \$.1822 after valuing the outstanding principal and interest at 102% for an issuance of 9,250,052 shares after settlement of remaining cash proceeds of \$488,771.

Eugene facility

In February 2017, the Company entered into a lease for 23,000 sf in Eugene, Oregon for 3 years at \$1.10 per sf. The facility was expected to become the primary production facility for GPO. The facility in Portland would be kept and used primarily for distribution. In June 2017 the Company opted to break this lease in favor of consolidating all processing and distribution operations in Portland. The abandonment of these assets resulted in a loss on disposal of \$294,200 recorded in profit and loss.

Private Placement

On June 2, 2017 the Company closed on its recently announced C\$35M financing transaction. The Company satisfied all outstanding conditions for release of escrow funds of the transaction on July 12th, 2017 and converted 125,892,857 subscription receipts into 125,892,857 units, each unit composed of one common share and one-half purchase warrant. The Company also issued 83,418,687 shares to the vendors of Chalice Farms.

Acquisition of NevWa, LLC

On June 6th, 2017 the Company closed on C\$2.5M of the previously announced C\$5.25M subscription receipts, the proceeds of which were used primarily to fund the acquisition of the assets of NevWa, LLC. The Company owes an additional \$200,000 of penalty consideration for this acquisition as well as \$100,000 to Peter Saladino which was an escrow deposit made on behalf of the Company.

During the third quarter and subsequent to the balance sheet date the Company received cultivations and processing licenses for its Sparks facility as well as jurisdictional distribution licenses for all significant markets within Nevada.

MMGC Acquisition

On June 27, 2017 the Company signed a definitive agreement to consummate the previously announced acquisition of all of the issued and outstanding shares of Medical Marijuana Group Corporation ("MMGC") and Medical Marijuana Group Consulting Ltd. ("MMCC"). MMGC has filed an application with Health Canada for a cultivation license. MMGC does not currently have any substantial operations and it will not be able to engage in the production of marijuana until it receives the cultivation license.

In connection with the Acquisition, (i) GLH will acquire all of the outstanding shares of MMGC for consideration of C\$10,000,000, which will be satisfied through the issuance of 35,714,286 common shares of the Company ("Common Shares") at a price of C\$0.28 per share; and (ii) GLH will indirectly acquire all of the outstanding shares of MMCC for consideration of up to C\$5,000,000 (the "Contingent Consideration"), which amount will be payable in the event that certain gross sales targets are met within 18 months of marketing efforts commencing in Canada of GLH branded products (the "Earn-in Period"). The Contingent Consideration is payable in Common Shares at a price of C\$0.28 per share. Initial consideration was provided via placement of note for C\$2,062,080 to fund construction and working capital needs.

On October 27, 2017 the Company executed this definitive agreement for MMGC early with assurances that the cultivation license would be received imminently in order to facilitate the closing of its recently announced debenture financing. The company issued 35,571,428 shares as consideration for this acquisition.

Bridge Loan

On September 5, 2017 the Company is pleased to announce its closing of demand notes of C\$2,000,000 (the "Bridge Loans"). Directors of the Company contributed C\$800,000 to the Bridge Loans. The Bridge Loans will be due on January 31, 2018 and bear interest at the rate of 5%. Parties participating in the Bridge Loans were issued 952 common share purchase warrants (the "Bridge Warrants") for each C\$1,000 principal amount lent. Each Bridge Warrant will entitle the holder to acquire one Common Share at a price of C\$0.21 per Common Share for a period of two years following the closing of the Bridge Loans, subject to adjustment in certain events. The exercise price on the Bridge Warrants was reduced from that previously announced in order to ensure the full participation of the lenders. The net proceeds of the Bridge Loans will be used for general corporate purposes.

On September 5, 2017 the Company is pleased to announce that it has secured conversion of 95% of the remaining outstanding convertible debentures of the Company issued in March 2016 and that were due on September 11, 2017. An aggregate principal amount of C\$4,526,000, including C\$1,266,000 held by directors of the Company, has been converted (or been irrevocably committed to be converted) into Common Shares at an amended price of C\$0.21 per Common Share, resulting in a strengthened balance sheet and a significant conservation of the Company's working capital. The Company agreed to an amended exercise price in order to secure conversions of such debentures prior to their maturity. Approximately 21,552,380 Common Shares will be issued to the holders of such converted debentures.

Subsequent Events

Refer to note 21 of the interim condensed consolidated financial statements.

DESCRIPTION OF THE BUSINESS

Retail

The Company owns five retail stores. One retail store, Left Coast Connections, was owned by GLH before purchasing Chalice Farms, and four more have been acquired as part of the Chalice acquisition: Tigard, Powell, Dundee and Airport Way. The retail stores carry as a wide variety of products from local distributors and aim to cater to all demographics and tastes. Two retail stores are currently under construction with expected opening dates in the fourth quarter of 2017 and the first quarter of 2018.

Production & Sales - Oil Extraction

The Company aims to be a leading cannabis oil brand in North America and as such owns significant capital assets for the purposes of CO₂, BHO and distillate oil processing and refinement. These assets have been largely inactive since Q4 2016 due to the Marion County referendum vote followed by the inability to receive city licensing to process at the Company's north Portland location due to multiple building code and regulatory complications. After

consolidating operations at the Airport Way location, the Company is still awaiting licensing for processing due to regulatory complications.

To supplement the lack of internal production the Company continues to source oil from third party processors. Since early 2017 many local brands have begun leveraging the same specialized processor leading to some commoditization of this source and price pressure which the Company has been forced to respond to.

Products

Wholesale

As of the balance sheet date the Company distributes three main types of products; cannabis flower, cannabis oils and cannabis edibles. All of the Company's products are independently lab tested and certified for pesticides, contaminants and potency before being packaged and labelled with detailed information about the levels of THC and CBD contained in each product. The Company has been building strong market demand for two new high end distillate product profiles branded as Gold Label Reserve™ and Private Stash™. These products are produced by a third party oil processor in bulk and then filled into cartridges, packaged and distributed by the Company to its wide distribution network. These products built strong market demand as consumers grew to accept the higher price point and embraced the flavor and purity of this product. The Company sources flower from third parties and distributes to its network of retail customers primarily in 1 pound bags. The Company began selling Chalice Farms™ branded edibles and CO₂ cartridges in late June 2017. These products have received mixed reception due to market pushback against a competing retail brand name. The Company is currently evaluating whether to continue offering Chalice branded wholesale products to third party dispensary customers.

The Company's oil products are sold under the brand names Golden™, Gold Label Reserve™, Private Stash™ and Proper™

The Company's edibles products have been sold under the Chalice Farms™ brand name and have been received with mixed reception due to inherent competitive resistance from local dispensary owners who are the primary customers for Greenpoint wholesale operations. The Company has edible products under development under the Golden™ brand name which the Company expects to attain broader distribution for the wholesale channels due to simple branding differentiation.

Specialized Skill & Knowledge

From the time GPO became licensed to extract and refine cannabis oil, it, and now the Company, has developed certain proprietary intellectual property (IP) for operating *Carbon Dioxide (CO₂) Extraction* and the *Hydrocarbon Extraction* machinery, including best production practices, procedures, and methods, as outlined above. This requires specialized skills in cultivation, extraction and refining.

At the corporate level the Company employs university graduates with degrees in marketing, economics, accounting and business finance. Staff have joined the Company from a variety of industries and corporations such as Walt Disney, Oracle, Cisco Systems, Organically Grown Produce, and Mighty Leaf Tea, Deloitte, Moss Adams, and Kinder Care.

Competitive Conditions

The market for flower and oil extraction products is rapidly evolving and many players have entered the market in the past year. In addition, the market for flower and trim is commoditizing. Some fragmented business intelligence is available; however, the majority of the Company's competitors have been continuing to create downward price pressure as the market sees increasing players in the branded oil space. GPO and other competitors like Select Strains have to rely upon sources of trim from farmers. In the first half of 2017, the Company has noticed an increasing consumer demand for high quality distillate oil. The Company's only supplier of this product is the primary supplier for many brands within the state and represents a concentration of risk. The Company will be undertaking a project to develop the expertise to create these products internally with a scalable methodology that focuses on controlling its supply chain and lowering its cost of manufacturing.

Components

Currently the Company sources raw materials from external parties. Using an internal production process, trim is generally the largest component of the cost of oil; however, under its current third party processing model, over 50% of the cost of a gram of oil is paid to contract process the trim into oil. As of the balance sheet date, the cost to produce 1 gram of distillate oil in finished good form is estimated at approximately \$19, as much as \$13 of this is trim and processing cost depending on yields and trim quality. The remainder is labor related to packaging and filling cartridges, as well as the cost of cartridges and packaging for each finished good.

Economic Dependence

The Company is not substantially dependent on one single large contract. It serves a broad-based platform of dispensaries in Oregon. Equally the Company is not dependent on any single contract for the purchase of raw materials that could affect the Company in operating its business. The Company does depend heavily on a single supplier to process its trim into distillate oil. There are no reasons to believe this supplier relationship at risk, and the Company maintains a quality relationship with this vendor.

Employees and Management

At the balance sheet date the Company had approximately 148 employees after the acquisition of Chalice Farms.

As of the date of this report, William Simpson serves as the Company's CEO, Eugene Hill serves as the Company's CFO, and Michael Genovese serves as COO. Bliss Dake is the Company's CMO, overseeing marketing, public relations and investor relations. Andrew Marchington, VP of Finance, oversees the finance, treasury and accounting operations of all business units. Erin Hills, VP of Retail operations, oversees the Chalice Farms retail chain as well as Left Coast Connection.

Foreign Operations

As of the balance sheet, all of the Company's operations are in the United States and, as such, all of the Company's business is dependent on operations outside of Canada. On October 27, 2017 the Company executed its share purchase agreement with MMGC and now operates in Canada. As of the date of this report the Company has received its cultivation license.

Principal Market

As of the balance sheet date, the Company operates in two recreational cannabis markets: Oregon and Nevada. As of the balance sheet date substantially all of the Company's activities relate to its Oregon operations as Nevada's adult use market is in its early growth stages. In Oregon, over 400 dispensaries are licensed by the OLCC to sell adult-use cannabis to medical patients and adult-use customers. The Company is now licensed to distribute and sell in all major markets of interest in Nevada.

Trends, Commitments, Events or Uncertainties

The District of Columbia (“D.C.”) and 28 U.S. states, including the state of Oregon, have legalized cannabis for medical use. Colorado, Washington, Alaska, Oregon, D.C, California, Nevada, Maine, and Massachusetts have also legalized retail-recreational use of cannabis.

The Company intends to expand into other states within the U.S. that have legalized either medicinal or recreational cannabis use. Cannabis and cannabis extracts remain illegal under U.S. federal law and cannabis is listed as a Schedule I substance under the U.S. Controlled Substances Act. However, in 2009 the U.S. federal government adopted guidelines to deprioritize the use of federal resources to prosecute people with serious illnesses or their caregivers who are complying with state medical marijuana laws. Additionally, in 2014 the Deputy U.S. Attorney General, James Cole, publicly announced that the federal government would generally not pursue the prosecution of cannabis producers that are in compliance with state law. The “Cole memorandum” is the guiding principle that many cannabis businesses, regulators and legislators use to establish policies to operate in this space.

The Rohrabacher-Farr amendment was finally passed by the U.S. House of Representatives in May 2014 after six failed attempts since 2003. The bill prohibits the Department of Justice, which includes the Drug Enforcement Administration, from using funds to interfere with state medical marijuana laws. The amendment was then included in the federal spending bill passed on December 15, 2014 and marked the first time in history that the United States Congress eased up on the potential federal prosecution of medicinal cannabis cultivators, sellers and patients. The bill works to protect the medical marijuana programs in the 23 states that have legalized marijuana for medical purposes, as well as 11 additional states that have legalized CBD oils, a non-psychoactive ingredient in cannabis which, among other things, has shown to be beneficial in some severe cases of epilepsy.

As marijuana remains a Schedule I substance under U.S. federal law, U.S. federal law also makes it illegal for financial institutions that depend on the Federal Reserve’s money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy, in appropriate circumstances. There has been no change in U.S. federal banking laws notwithstanding that 28 states and D.C. have legalized medical marijuana. Colorado, Alaska, Washington, Oregon and D.C. have legalized retail-recreational marijuana use.

Due to banks' fears of being implicated in, or prosecuted for, money-laundering, marijuana businesses are often forced into becoming “cash-only” businesses. As banks and other financial institutions in the United States are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. The Treasury Department’s *Financial Crimes Enforcement Network*

("FinCEN") has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks that serve marijuana-related businesses, so long as that business is legal in the bank's respective state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The guidance also lays out a process for financial institutions to provide services to marijuana businesses, but makes it clear that they are doing so at their own risk. Despite the attempt by FinCEN to legitimize marijuana banking, in practice this guidance has generally not made banks more willing to provide services to marijuana businesses. This is because the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business it takes on as a client. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses as they are unwilling to take on the associated risks or conduct the proper due diligence that would be required to ensure none of the federal priorities are being violated.

The few credit unions who have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the needs of their other customers.

A small number of credit unions in Washington have announced they will serve marijuana-related business but they are limiting their services to only those at the front end of the market; producers and processors whose sales are limited to licensed distributors and can easily be tracked by the state (relieving the banks of the burden to do so directly). However, these credit unions will not service dispensaries because the required due diligence is too cumbersome when marijuana is being sold by a licensed dispensary to the public.

To solve the current banking problem, a bill has been tabled in the U.S. Congress to create the *Marijuana Business Access to Banking Act*. If passed, this legislation would grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business is in compliance with state law. The legislation would also prohibit the Treasury Department from requiring banks to report a transaction as suspicious solely because it came from a marijuana-related business that operates in compliance with state law. Additionally, the bill would prohibit regulators from terminating a bank's depository insurance because it services marijuana businesses in compliance with state law. This bill has not been passed and there can be no assurance that it will be passed in its current form or at all.

Currently, the Company operations through a bank in Canada and two banks in the United States. The Company maintains close ties and strong relationships with its current bankers and continues to build relationships with other banks and credit unions servicing the marijuana industry.

The Company takes regulatory compliance seriously and has included the Cole Memorandum at the beginning of the employee handbook to ensure all employees understand and acknowledge these rules and understand their importance.

Although civil in nature, administrative rules in Oregon define the regulatory compliance guidelines, and if violated could potentially have a serious impact on the business. The Company regularly reviews the rules and communicates changes to employees as appropriate.

There are significant risks associated with Golden Leaf’s business, as described above and under the headings “Principal Market” and “Risk Factors”. Readers are strongly encouraged to carefully read all of the risk factors described herein.

Legal Proceedings

There are no unresolved legal proceedings at the time of this report.

Interest Of Management And Others In Material Transactions

See related note 19 of the interim condensed consolidated financial statements for the three and nine month periods ending September 30, 2017.

Selected Financial Information (US\$)

	For the financial period:	
	Nine months ended September 30 2017	Nine months ended September 30, 2016
Total revenues	7,477,378	7,206,587
Gross profit	1,371,711	1,236,425
Total expenses	9,871,867	7,683,762
Comprehensive loss	(7,167,641)	(3,831,614)
Basic and diluted loss per share	(0.04)	(0.01)
Weighted average number of common shares outstanding	203,386,663	82,112,479
	as of period ended	
	September 30, 2017	September 30, 2016
Total Assets	71,371,718	24,841,792
Long-Term Financial Liabilities	9,564,332	12,241,905

Overall Performance

Three-Month Comparison

The Company generated revenues of \$3.1M for the three months ended September 30, 2017 compared to \$2.4M for the three months ended September 30, 2016. The Company reported a net loss of \$3.2M for the three months ended September 30, 2017 compared to a net loss of \$2.3M for the three months ended September 30, 2016.

Gross margin increased to \$0.7M for the three months ended September 30, 2017, up from \$0.5M for the three months ended September 30, 2016. As a percentage of product sales revenue, gross margin was 23% during the three months ended September 30, 2017 down from 24% during the three months ended September 30, 2016.

Nine-Month Comparison

The Company generated revenues of \$7.4M for the nine months ended September 30, 2017 compared to \$6.8M for the nine months ended September 30, 2016. The Company reported a net loss of \$7.2M for the nine months ended September 30, 2017 compared to a net loss of \$3.8M for the nine months ended September 30, 2016.

Gross margin increased to \$1.4M for the nine months ended September 30, 2017, up from \$1.2M for the nine months ended September 30, 2016. The Company spent \$1M on marketing and sales (2016: \$0.7M), and \$6.9M on general & administration (2016: \$5.5M)

The Company's total assets were \$71.4M on September 30, 2017 (December 31, 2016: \$24.8M). The Company's total liabilities were \$23.9M on September 30, 2017 (December 31, 2016: \$27.8M). Shareholders' equity after the deficit was \$47.5M on September 30, 2017 (December 31, 2016: deficiency of \$2.9M).

Commentary

After a difficult 2016, the Company set out to re-establish market share in the Oregon market during the first half of 2017. Strong flower sales in January were followed by continued flower sales and the launch of two premium product offerings: the new Gold Label Reserve brand and the re-launch of Private Stash. Due to reliance on a third party to create its oil products costs per gram were significantly elevated relative to costs when processing in-house and as such, margins suffered.

During the third quarter, the Company has added the Chalice retail division to its existing dispensary, Left Coast Connection, for a total of five retail stores. These retail stores are in established locations with consistent clientele and thus generate consistent month over month revenues with limited working capital infusions required.

The Company's wholesale sales team began the third quarter low on oil inventory but added the Chalice branded edible and CO₂ oil products to its menu of products. These products have proven to be challenging to sell in the Oregon wholesale market due to their inherent brand conflicts with their ultimate customers, who are competing retail dispensary owners. In addition, the Company has noticed increasing commoditization, price pressure and competition in the oil market. Multiple brands in the Oregon marketplace and now utilizing the same third-party processor for their distillate oil products, which has created more competition for the company's currently narrow range of oil products.

Since the fourth quarter of 2016 the Company's regulatory and supply chain environment has stabilized as reliable new sources of raw materials have opened up in the new recreational market. Testing infrastructure has also risen to meet the new demand in accordance with new compliance rules.

The Company's total Product sales revenue for the nine months ended September 30, 2017 increased \$0.6M from the nine months of 2016 at \$7.4 million. This increase is attributed entirely to the addition of 4 Chalice retail stores generating \$1.4M in the third quarter, an addition which offsets a decrease in wholesale revenues of \$0.8M for the nine month period.

Gross margin increased to 23% from 21% from the prior quarter. This was driven entirely by the addition of the 4 Chalice retail stores generating reliable margins of approximately 45%.

The Company's operating expenses for the three-month period ended September 30, 2017 totaled \$4.7M, an increase of \$2.4M compared to the three months ended September 30, 2016 operating expenses of \$2.2M. See adjusted EBITDA section for figures and commentary as adjusted for non-cash charges. Primary drivers of this increase was \$0.7M increase in wages, \$0.1M increase in consulting costs, \$0.2M increase in rents, and \$0.5M increase in shared based compensation. The increase in rent and wages is primarily attributed to adding a significant retail business segment to the operational results, which results in proportionally more operating expense versus cost of sales compared to the wholesale operations. The Company has not yet fully realized the benefits of headcount reductions made during the integration with Chalice Farms due to severance costs associated with a number of employees.

The Company's current assets decreased to \$5.2M at September 30, 2017 compared to \$8.7M at December 31, 2016, largely as a result of closing of the sale of the Aurora property.

The Company's current financial liabilities decreased to \$14.4M at September 30, 2017 compared to \$15.5 at December 31, 2016 due to the conversion of debt to equity, offset by previously long-term liabilities moving to current liabilities as they approach maturity and increases in accrued liabilities.

The Company's long-term financial liabilities decreased to \$9.6M at September 30, 2017 compared to \$12.2M at December 31, 2016 due to the conversion of a substantial amount of debt to equity, the movement of some long-term liabilities to current, and the addition of contingent consideration related to the acquisition of Chalice Farms.

Quarterly Results (\$)

Profit and Loss	For the three months ended:							
	Dec 2015	Mar 2016 restated	June 2016 restated	Sep 2016 restated	Dec 2016	March 2017	June 2017	Sep 2017
Product sales	2,877,074	2,316,688	2,298,303	2,191,596	434,968	2,259,094	2,089,393	3,078,891
Royalties	-	-	160,000	240,000	19,934	-	-	50,000
Total Revenue	2,877,074	2,316,688	2,458,303	2,431,596	454,902	2,259,094	2,089,393	3,128,891
Cost of sales expense	2,469,833	1,814,236	2,241,003	1,914,923	1,625,444	2,020,695	1,687,269	2,397,703
Gross profit	407,242	502,452	217,300	516,673	(1,170,542)	238,399	402,124	731,188
Total expenses	4,354,889	2,868,582	2,534,469	2,280,711	3,863,076	2,155,139	3,039,166	4,677,562
Interest expense	73,562	129,525	424,185	307,179	355,697	545,021	312,411	556,427
Transaction costs	-	639,218	-	369,000	3,704,000	-	-	2,365,821
Loss on extinguishment	-	-	-	-	11,215,118	-	-	-
Accretion interest	-	20,733	273,925	295,109	76,004	-	-	-
Impairment of financing lease receivable	-	-	81,060	81,060	81,061	27,422	27,422	27,422
Other loss (income)	(33,883)	591,173	176,210	113,593	14,237,143	925	161,903	37,296
(Gain)/Loss on changes in fair value of warrant liabilities	(4,474,737)	(2,737,958)	(1,608,647)	(414,615)	609,143	(155,685)	(82,694)	(2,841,983)
(Gain)/Loss on changes in fair value of liabilities	-	-	-	-	(3,168,577)	(44,693)	(1,541,097)	(1,148,020)
Loss before income taxes	487,411	(369,603)	(1,663,902)	(2,146,364)	(17,224,089)	(2,289,730)	(1,514,987)	(2,943,337)
Incomes tax expense (benefit)	157,055	-	-	-	74,136	-	-	219,587
Net income / (loss)	330,356	(372,165)	(1,084,807)	(2,622,335)	(17,250,510)	(2,289,730)	(1,514,989)	(3,162,924)
Other Comprehensive (Income)/Loss	-	-	-	-	530,000	-	-	-
Comprehensive Income/(Loss)	330,356	(372,165)	(1,084,807)	(2,622,335)	(17,780,510)	(2,289,730)	(1,514,989)	(3,162,924)
Basic and diluted earnings / (loss) per share	0.01	(0.01)	(0.01)	(0.03)	(0.19)	(0.02)	(0.01)	(0.01)
Weighted average number of common shares outstanding	61,532,660	68,976,253	95,248,704	95,965,147	91,207,720	118,346,097	143,604,908	345,710,474

The Company's sales grew quickly through the quarter ended September 30, 2015 as it garnered significant market share in the medicinal cannabis oils market, then stabilized as market share was maintained and the market remained relatively flat. The recreational oil market was legal in Oregon as of June 2, 2016 which helped to drive some revenue growth, however the turbulence in the regulatory environment and supply chain during 2016 severely inhibited the Company's ability to grow as it spent significant time and resources responding to on the ground changes in the Oregon market.

The Company once again experienced a working capital and inventory shortage during the end of the 2nd quarter 2017, leading to decreased revenues. This working capital shortage continues to affect supply through the end of August. As of the date of this report the Company is working through sales, marketing and quality control issues to address a downtrend in wholesale sales versus historical performance.

Adjusted EBITDA		
For the three months ended September 30, 2017		
	2017	2016
Revenue	\$ 3,128,891	\$ 2,431,596
Cost of sales expense	2,397,703	1,914,923
Gross profit	\$ 731,188	\$ 516,673
Total operational expenses	4,677,562	2,280,711
Less Non-cash expenses of dep and amort	225,922	62,584
Less loss on disposal	25,500	-
Less share based severance	569,808	-
Adjusted total operational expenses	\$ 3,856,332	\$ 2,218,127
Adjusted EBITDA operational Loss	\$ 3,125,144	\$ 1,701,454

** Adjusted EBITDA is a non-GAAP financial measure and does not have any standardized meaning prescribed by the Company's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-GAAP Disclosures" below for additional information.*

For the three month period ended September 30, 2017, the Adjusted EBITDA loss increased to \$3.1M as compared an Adjusted EBITDA loss of \$1.7M during the same period in 2016. This was primarily driven by increases in legal costs, salaries and wages, and rents.

Non-GAAP Disclosure

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, less all non-cash equity compensation expenses, including impairments, one-time transaction fees and all other non-cash items. Adjusted EBITDA is a non-GAAP financial measure which does not have any standardized meaning prescribed by the Company's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. The Company considers this adjusted EBITDA an important figure to show the true day to day operational picture of the business. It should not be considered in isolation as a substitute for measures of performance prepared in accordance with the Company's GAAP. Please refer to the Company's management's discussion and analysis for the year ended December 31, 2016 for further information on the Company's use of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net earnings.

Summary of G&A detail

General & Administrative Expense Summary		
	Q3 2017	Q3 2016
Wages and Benefits*	1,260,451	575,331
Consulting	337,920	323,732
Legal	668,582	145,946
Bad Debt	-	91,144
Rents	247,550	39,975
Travel & Entertainment	118,811	60,986
Audit	212,396	37,218
Investor Relations	80,317	50,511
All Other	557,810	322,066
G&A	3,483,837	1,646,909
Professional fees paid with equity instruments	116,588	69,499
Share-Based Compensation	676,018	213,930
G&A Including Other G&A	4,276,443	1,930,339
equity instruments and Listing Fees		

* Includes non-legal employee consultants in wages

The Company incurred significant legal costs related to acquisition activity during the 3rd quarter of 2017 and when adjusted for these items has made progress reducing general and administrative costs.

Liquidity and Capital Resources

The Company has financed its operations to date through the issuance of common shares and debt.

	September 30, 2017	December 31, 2016
Current assets	5,177,807	8,720,279
Current liabilities	14,352,790	15,535,784
Working capital (deficit)	(9,174,983)	(6,815,505)
Long-term debt and notes payable	75,309	12,241,905
Share capital	91,560,019	34,282,314
Deficit	(48,678,113)	(41,510,472)

The Company has funded its deficit primarily through the issuance of share capital and convertible debt, and in addition financed the purchase of the Aurora Property through the issuance of long-term debt and convertible notes. A portion of the deficit relates to both warrant reserves (\$3.6 million) and warrant liabilities (\$2.5 million).

Update

The company has experienced a shortfall of revenues versus previously issued guidance with respect to revenue (\$0.8M) for the third quarter. These figures were forecasted based on assumptions which the Company believed reasonable at the time. Regulatory and market based factors have contributed to this shortfall in addition to the delay of the financing the Company needed to rebuild inventory levels. The Company has yet to secure the licenses required to process oil at its Portland location, leading to a lack of the supply which was expected to contribute to these revenue projections. The marketplace is commoditizing in Oregon and competitive condition are changing rapidly leading to price pressure and brand proliferation which has forced the company to consider adjustments to its product line based on limited data and inconsistent inventory. Due to the same factors, it is possible that the Company will experience a shortfall in subsequent quarters.

Going Concern

The Company wishes to emphasize the importance of the going concern assumption which can be referenced at note 2 of the Interim Condensed Consolidated Financial Statements for the three and nine months ending September 30, 2017.

Liquidity, Financing and Capital Resources

Cash used in operations was \$5M during the nine months ended September 30, 2017 compared to \$4.7M during the nine months ended September 30, 2016. The Company raised \$25.8M in financing activities during the nine months ended September 30, 2017 compared to a raise of \$7.0M during the nine months ended September 30, 2016.

Asset purchases and deposits paid totalled \$24.1M during the nine months ended September 30, 2017 compared to \$1.8M during the nine months ended September 30, 2016.

As of September 30, 2017, the Company had \$634,209 of cash in hand. The Company's authorized share capital is an unlimited number of which 395,710,474 were issued and outstanding at September 30, 2017. The Company received \$10.8M of proceeds from its most recent debenture financing on November 2, 2017.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current or future operations or the financial condition of the Company.

Related Party Transactions

Refer to note 17 of the Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2017.

Future accounting pronouncements

Refer to note 5 of the Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2017.

Financial Instruments

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value

The carrying amounts of cash, accounts receivable, accounts payable, and accrued liabilities approximate their fair values because of the short-term maturities of these financial instruments.

The carrying value of long-term debt approximates fair value upon initial recognition. At September 30, 2017, its carrying value approximates fair value based on current market rates for similar instruments.

The following classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are as follows:

Level 1 – Quotes prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data

The Company recognizes the warrants associated with the initial private placements during the year as financial liabilities designated as FVTPL where changes to fair value based on changes to the inputs are recognized in profit or loss. The estimated fair value of the warrants is categorized within Level 2 of the fair value hierarchy. Refer to note 13 and 14 for information regarding the valuation technique and inputs used to determine fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(b) Credit risk

The Company's principal financial assets are cash held at a highly rated financial institution and accounts receivable, which are subject to credit risk.

The Company's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments are carried at a fixed interest rate throughout their term.

(d) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. To ensure the Company has sufficient liquidity to meet its obligations, the Company intends to issue common shares and debt in the future.

(e) Default Risk

As of the date of this report the Company has convertible debentures of C\$20.7M due from its latest placement in November 2017. These amounts do not include C\$2.7M of debentures which are due in April, 2018. The Company anticipates that all of these debentures will convert within their maturity periods but cannot guarantee it will have sufficient cash reserves to settle these obligations when due given current projections.

Risks Related to the Company's Business

The following are certain risk factors relating to the business carried on by the Company. The Company will continue to face a number of challenges in the development of its business. Due to the nature of and present stage of the Company's business, the Company may be subject to significant risks. The following is a summary of the principal risk factors affecting the Company.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

U.S. Federal Regulation

Currently, there are 28 states of the United States plus the District of Columbia that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Conversely, under the U.S. Controlled Substance Act (the "CSA"), the policies and regulations of the Federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current federal law, and we may be deemed to be producing, cultivating or dispensing marijuana in violation of federal law or we may be deemed to be facilitating the selling or distribution of drug paraphernalia in violation of federal law with respect to our current or proposed business operations. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings and stated federal policy remains uncertain.

Variation in State Regulations

Individual state laws do not always conform to the federal standard or to other states' laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Six states, Colorado, Washington, Oregon, California, Nevada, Massachusetts, and the District of Columbia, have legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. For example, Alaska and Colorado have limits on the number of marijuana plants that can be home grown. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of state laws that prohibit personal cultivation of marijuana may indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

Marijuana remains illegal under US Federal law

Marijuana is a schedule-I controlled substance under the CSA and is illegal under U.S. federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of U.S. federal law. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, strict enforcement of federal law regarding marijuana would likely result in our inability to proceed with our business plan.

Change of Cannabis laws

Local, state and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The legislative and regulatory environment in the state of Oregon, is dynamic and reflects the uncertainty and search for novel solutions in the highly-regulated cannabis industry. Recently, both the Oregon Liquor Control Commission (OLCC), which is responsible for adopting rules to regulate Oregon's recreational marijuana program, and the Oregon Health Authority (OHA) which regulates the medical marijuana program, released proposed rules. Certain provisions in the proposed rules could be problematic for the Company if adopted in their present form, including but not limited to those relating to the size of growing operations. If these proposed rules are adopted in their present form, they could have a negative impact on the Company's financial performance and business operations. The status of these proposed rules are uncertain as there are possibilities for further revision before becoming final and effective. There can also be no assurance that local

governments, such as counties within Oregon, would not take regulatory action which may negatively affect the Company's cannabis business. Management expects that the legislative and regulatory environment in the cannabis industry will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry, for the foreseeable future.

Risks Specifically Related to the United States Regulatory System

The Company's business activities while believed to be compliant with applicable state and local law of the United States, are illegal under United States federal law.

The concepts of "medical cannabis" and "retail cannabis" do not exist under United States federal law. The CSA classifies "marijuana" 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. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under United States federal law. Although the Company believes its business 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 the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump administration (the "Trump Administration") about recreational cannabis and medical cannabis. Attorney General Sessions is a well-known advocate against legalization of cannabis.

Although the United States Department of Justice has stated in the Cole Memorandum that it is not an efficient use of limited resources to direct federal law enforcement agencies to prosecute

those abiding by state laws allowing the use and distribution of recreational and medical cannabis, there is no guarantee that the United States Department of Justice's position in this regard will not change. Should Attorney General Sessions decide to repeal or amend the Cole Memorandum, there is no certainty as to how the United States Department of Justice, United States Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration will not change the current enforcement policy and decide to strongly enforce the United States federal laws. The Company regularly monitors the activities of the current administration for evidence if the Company will contravene the Rohrabacher-Farr Amendment (as defined below) or the guidance provided in the Cole Memorandum.

"Rohrabacher-Farr Amendment" means the legislation first introduced in the United States House of Representatives by representatives Maurice Hinchey, Dana Rohrabacher, and Sam Farr in 2003 and known as the Rohrabacher-Farr amendment (currently known as the Rohrabacher-Blumenauer amendment after the retirement of Sam Farr) prohibiting the United States Justice Department from spending funds to interfere with the implementation of state cannabis laws. In August 2016, the Ninth Circuit Court of Appeals ruled against the Department of Justice, which had taken a narrow interpretation of the Rohrabacher-Farr Amendment, and held that the amendment prohibited the expenditure of funds to prosecute businesses in compliance with state law. The amendment has been renewed numerous times, most recently on September 8, 2017, and is in effect until December 8, 2017. It is not currently known whether the amendment will be included in the final federal budget or continuing resolution that is expected to go into effect on December 8, 2017.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Cole Memorandum outlined certain priorities for the United States 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 United States Department of Justice 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 United States 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 of this year, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, although he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward. On November 14th of this year, during a congressional hearing, Attorney General Sessions noted that the Cole

Memorandum remains in effect, but that cannabis remains illegal with respect to federal purposes.

The Company's Directors have informed its decision to authorize and approve the Company's strategies based on the guidelines outlined in the Cole Memorandum and believes that the risk of federal prosecution and enforcement is currently unlikely. However, unless and until the Cole Memorandum is memorialized in federal legislation, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations.

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 U.S. 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, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the "FinCEN Memo"). The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA on the same day. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

The Company's investments, and any proceeds thereof, are considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's investments in the United States may be subject to heightened scrutiny.

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

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to make and settle trades and on the liquidity of the Company's securities generally. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. While there can be no assurance that this would occur, and while it would be subject to regulatory approval, a third party has publicly expressed interest in providing clearing services should CDS decide not to do so.

The Company has obtained eligibility with The Depository Trust Company ("DTC") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Supply of Trim

The Company does not cultivate sufficient cannabis to supply itself with enough cannabis leaves and small flowers (“**Trim**”) to operate its oil extraction business. Currently, the Company acquires Trim from third parties in amounts sufficient to operate its oil extraction business. However, there can be no assurance that there will continue to be a supply of Trim available for the Company to purchase in order to operate its oil extraction business. Additionally, the price of Trim may rise which would increase the Company’s cost of goods. If the Company were unable to acquire the Trim required to operate its oil extraction business or if the price of Trim increased it could have a material adverse impact on the business of the Company, its financial condition and results from operations.

Security Risks

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

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

Operation Permits and Authorizations.

Although the Company has applied for various recreational marijuana licenses, it may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana and recreational business. In addition, it may not be able to comply fully with the wide variety of laws and regulations applicable to the medical and recreational marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company’s ability to operate the medical and recreational marijuana business, which could have a material adverse effect on the Company’s business.

Liability, Enforcement Complaints etc.

The Company's participation in the medical and recreational marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Banking

Since the use of marijuana is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. The inability to open bank accounts may make it difficult to operate the Company's medical and recreational marijuana business.

Resale of Shares

There can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

As well, the continued operation of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their shares in the Company and any investment in the Company may be lost.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility.

Undertaking With the Ontario Securities Commission

The Company is a party to an undertaking with the Ontario Securities Commission under which the Company agreed to notify the Ontario Securities Commission at least 60 days prior to conducting material operations in recreational marijuana and the Company also agreed to deliver an opinion with respect to the legality of recreational marijuana operations in connection with this notification. If the Company is unable to obtain a satisfactory legal opinion as to the legality of recreational marijuana operations, the Ontario Securities Commission could take administrative action or impose restrictions on the Company's operations which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company's Limited Operating History Makes Evaluating Its Business and Prospects Difficult

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the medical and recreational marijuana industries. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Need for Funds

In the short term, the continued operation of the Company may be dependent upon its ability to procure additional financing. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current grow and extraction facilities, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated or to meet its obligations as they become due. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost. The raising of equity funding could also result in dilution of the equity of the Company's shareholders.

Dividends

The Company has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance growth, and where appropriate, to pay down debt.

The Company Has a History of Net Losses, Which Might Occur Again in the Future with No Assurance of Profitability

The Company incurred a net loss for the period from incorporation on April 8, 2014 to September 30, 2017 of US\$48.8M. The Company cannot assure that it can achieve profitability or avoid net losses in the future or that there will not be any earnings or revenue declines for any future quarterly or other periods. The limited operating history makes it difficult to predict future operating results. The Company expects that its operating expenses will increase as it grows its business, including expending substantial resources for content and product development and marketing. As a result, any decrease or delay in generating revenues could result in material operating losses. In addition, the Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

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

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

The Company May Need to Incur Significant Expenses to Enforce its Proprietary Rights, and if the Company is Unable to Protect Such Rights, its Competitive Position Could be Harmed

The Company regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Company's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. The Company has taken certain measures to protect its intellectual property rights. However, the Company cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps the Company has taken to prevent the misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the medical marijuana industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same

extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

The Company is Dependent Upon its Existing Management, and its Growing and Extraction personnel, and its Business May be Severely Disrupted if it Loses Their Services.

The Company's future success depends substantially on the continued services of its executive officers and its key grow and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away from the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of medical and recreational marijuana research and development, growing marijuana and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

Unforeseen Competition

Although the Company has been and is currently a leader in the medical marijuana and extraction industry in the state of Oregon, there can be no assurance that the Company will continue to remain an industry leader. There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. Such competition could have a significant adverse effect on the growth potential of the Company's business by effectively dividing the existing market for its products.

Potential Future Acquisitions and/or Strategic Alliances May Have an Adverse Effect on the Company's Ability to Manage its Business

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions to acquire technologies, businesses or assets that are complementary to its business and/or enter into strategic alliances in order to leverage its position in the medical and recreational marijuana and extraction markets. These would include but not be limited to acquisitions to provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new

businesses. Any difficulties encountered in the acquisition and strategic alliance process may have an adverse effect on the Company's ability to manage its business. In addition, any proposed acquisitions may be subject to regulatory approval.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

General Economic Trends

A worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United States or any of the states within the United States and especially the State of Oregon could adversely affect the Company's business, financial condition, or results of operations.

Asset Location and Legal Proceedings

Substantially all of the Company's assets are located outside of Canada and many of its officers and directors are resident outside of Canada and their assets are outside of Canada. Serving process on the directors and officers may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries and any directors and officers residing outside of Canada.

Market Acceptance

The Company's ability to gain and increase market acceptance of its medical marijuana products depends upon its ability to educate the public, physicians and other healthcare professionals on the benefits of medical marijuana products. Similarly, the Company's ability to gain and increase market acceptance of its recreational marijuana products depends upon its ability to educate the public, promote its products and compare them to other available alternatives. It also requires the Company establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's

security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Insurance Coverage

The Company will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, taking into account the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected.

Tax Risk

The provisions of Internal Revenue Code section 280E are being applied by the Internal Revenue Service ("**IRS**") to businesses operating in the medical and recreational marijuana industry. Section 280E provides:

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

Even though several states have medical and recreational marijuana laws, the IRS is applying section 280E to deny business deductions to businesses involved with medical and recreational marijuana. Businesses operating legally under state law argue that section 280E should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under federal law (as stated in the text of the statute). Thus, section 280E is at the center of the conflict between federal and state laws with respect to medical marijuana which applies to the business conducted by the Company.

Currency Fluctuations

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

on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Other MD&A Disclosure Requirements

Information available on SEDAR

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

Outstanding share data

Common shares issued and outstanding as at September 30, 2017 are described in detail in Note 15 to the condensed consolidated financial statements for the six months ended June 30, 2017. Shares outstanding as of Nov 29, 2017 are 440,961,907.