MAKING *Life* BETTER

The Green Organic Dutchman Holdings Ltd.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of The Green Organic Dutchman Holdings Ltd. ("the Company" or "TGODH") for the three and nine months ended September 30, 2018 and 2017. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017 (the "unaudited interim condensed consolidated financial statements") which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding of the Company's business and key factors underlying its financial results. All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except where indicated otherwise.

Additional information relating to the Company can be found on the Company's website at www.tgod.ca or at the Company's SEDAR profile at www.sedar.com.

FORWARD LOOKING INFORMATION

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward looking statements include but are not limited to the expected costs, completion dates of the facilities, production capacity, receipt of licenses, etc.

Assumptions

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

(i) obtaining the necessary regulatory approvals;
(ii) that regulatory requirements may or may not adversely affect the business;
(iii) general business and economic conditions;
(iv) the Company's ability to successfully execute its plans and intentions;
(v) the availability of financing on reasonable terms;
(vi) the Company's ability to attract and retain skilled staff;
(vii) market competition and product demand;
(viii) the products and technology offered by the Company's competitors; and
(ix) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management as of November 12, 2018, the date of this MD&A.

BUSINESS OVERVIEW

The Green Organic Dutchman Holdings Ltd. is a company built on innovation with the goal of becoming the largest organic cannabis producer in the world. The Company is committed to building the largest organic cannabis brand in the world, with organic certification, LEED certified construction and GMP compliant facilities. The Company was incorporated under the federal laws of Canada pursuant to the *Canada Business Corporations Act.* The Company is a reporting issuer in each of the provinces of Canada. The Company's common shares (the "Common Shares") are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TGOD" and on the OTCQX under the symbol "TGODF".

The Company, through its wholly-owned operating subsidiary The Green Organic Dutchman Ltd. ("TGOD"), holds a license (the "License") issued by Health Canada pursuant to the Access to Cannabis for Medical Purposes Regulations (the "ACMPR") which allows the Company to produce and conduct research at its 100 acre property near Hamilton, Ontario (the "Hamilton Facility") on dried marijuana, marijuana plants and fresh marijuana, and to sell such cannabis products within Canada to licensed producers or licensed dealers qualified under Section 22(2) of the ACMPR. The License is currently valid until August 16, 2019. The License was amended on April 20, 2018 to include the production and sale of cannabis oil and on October 12, 2018 to include the sale of dried marijuana to clients.

Through 9371-8633 Québec Inc. ("Québec Subco"), a subsidiary of the Company, the Company acquired a 49.99% interest in the certain lands located in Sallaberry-de-Valleyfield, Quebec ("the "Valleyfield Land") that it intends to develop into its 20,000 sq. ft. flagship innovation and production facility (the "Québec Facility") that will be operated through its wholly-owned subsidiary, Medican Organic Inc. ("Medican"), which was granted a five-year lease (with four options to renew of five years each on the Valleyfield Land). The Quebec Facility is expected to be 1,107,245 square feet. The Company received a building permit in December 2017 to construct a 2,700 sq. ft. breeding facility (the "Breeding Facility"), which has been completed, and the Québec Facility license was granted in June 2018. The Company is in the process of installing seed to sale software and expects to commence harvesting in the fourth quarter of 2018 for sales in January 2019.

On July 5, 2018, the Company acquired a 49.18% interest in Epican Medicinals Ltd. ("Epican"). Epican is a licensed producer in Jamaica which holds a cultivator's licence, processing licence and a retail (herb house) license issued by the Cannabis Licensing Authority ("CLA") of Jamaica.

TGOD Europe B.V. ("TGOD Europe") was incorporated under the laws of the Netherlands on July 31, 2018 for the purpose of acquiring HemPoland Sp. Z.o.o. ("HemPoland"), a hemp cultivation and extraction business based in Poland, and to function as the Company's European headquarters. TGOD Europe's official seat is in Amsterdam, the Netherlands. The Green Organic Colombia SAS ("TGOD Colombia") was incorporated under the laws of Colombia on August 13, 2018 for the purposes of exploring opportunities related to potential transactions in South America. As of the date of this MD&A, TGOD Colombia has no assets or operations. The Green Organic Hellas SA ("TGOD Greece") was incorporated under the laws of Greece on September 18, 2018 for the purposes of exploring opportunities related to potential transactions in Europe. As of the date of this MD&A, TGOD Greece has no assets or operations.

Since inception, the Company has incurred recurring operating losses, having invested significantly in its research and development activities, as well as supporting its selling and marketing, and general and administrative expenses. The Company has financed its operations through various equity raises including the issuance of Common Shares and warrants through various private placements and, its initial public offering and more recently, through a special warrant financing, see "Developments in 2018". The Company expects to continue to incur losses and may require additional capital to fulfill its future obligations. Please refer to the section on "Liquidity and Capital Resources" below. The Company believes that its market leadership position, the ongoing advancement of the construction of its facilities and its strategic partnerships and investments will allow it to operate profitably in the future.

DEVELOPMENTS IN 2018

Corporate Spinoff

On July 17, 2018, the Company announced its intention to complete a spin-off transaction by way of a plan of arrangement (the "Spin-Off Transaction") pursuant to which shareholders of the Company will receive a warrant (a "SpinCo Warrant") in a newly formed corporation, TGOD Acquisition Corp. ("SpinCo" and the "Distribution", respectively). SpinCo will be engaged in the acquisition and development of emerging worldwide cannabis businesses and opportunities and will operate at arm's length and independent to the Company. Each SpinCo Warrant will entitle the holder thereof to receive a unit in SpinCo (a "SpinCo Unit") for the price of $0.50 per SpinCo Unit for a period of 30 days from completion of the Spin-Off Transaction. Each SpinCo Unit will consist of one common share of SpinCo (a "SpinCo Share") and one-half of one common share purchase warrant of SpinCo (each whole warrant being, an "Additional SpinCo Warrant"). Each Additional SpinCo Warrant will be exercisable into one SpinCo Share (a "SpinCo Warrant Share") at an exercise price of $1.25 per SpinCo Warrant Share and is expected to have an expiry date that is 24 months from the date the SpinCo Shares commence trading on a recognized stock exchange (the "Listing Date"). The Distribution is anticipated to be made on the basis of one SpinCo Warrant for every 6.67 Common Shares held on the record date for the Distribution.

The SpinCo Shares comprising part of the SpinCo Units will be subject to a six-month contractual escrow period from the Listing Date. The SpinCo Shares issuable upon the exercise of the SpinCo Warrants will be subject to a twelve-month contractual escrow period from the Listing Date. Management of the Company will have the opportunity to participate by purchasing SpinCo Units to the extent that SpinCo Warrants are not exercised by the holders of SpinCo Warrants.

The aggregate SpinCo Warrants to be distributed to shareholders of the Company will be issued by SpinCo to the Company pursuant to a transaction expense agreement (the "Transaction Expense Agreement") entered into between the parties on October 25, 2018; the same date the parties executed an arrangement agreement to affect the Spin-Off Transaction (the "Arrangement Agreement"). Pursuant to the Transaction Expense Agreement, the Company will fund SpinCo's transaction costs in connection with the Arrangement in the amount of $200. A repayable loan from the Company to SpinCo as previously announced by the Company is no longer contemplated by the parties. Similarly, the previously disclosed 25-year warrants to be issued by SpinCo to the Company are also no longer being contemplated. The Company will have no ownership rights in SpinCo after the Spin-Off Transaction.

The Spin-Off Transaction remains subject to the approval of at least two-thirds of the votes cast by shareholders of the Company at an annual general and special meeting of shareholders of the Company expected to be held on December 6, 2018 (the "TGOD Meeting"). Completion of the Spin-Off Transaction is also subject to other closing conditions customary for a transaction of this nature, including requisite corporate, regulatory and court approvals. The steps to complete the Spin-Off Transaction are subject to finalization based on ongoing tax and legal structuring advice by the Company.

Subject to the receipt of the requisite corporate, regulatory and court approvals, the Company anticipates that the record date for the Distribution will be mid December 2018.

Jamaican Dispensary Opened

On July 14, 2018, Epican, opened the first legal medical cannabis retail store in Jamaica. The retail store is a 4,000 sq. ft. flagship store in Kingston, and it the first of several "Herb Houses" that Epican intends to open across Jamaica.

Hamilton Facility

On July 13, 2018, the Hamilton city Council voted to disallow a zoning amendment required for the Hamilton Facility's planned greenhouse expansion. This decision affects approximately 6.5% of the Company's planned growing capacity, which includes the capacity of the Hamilton Facility, the Quebec Facility and the Company's facility in Jamaica. This decision was contrary to the recommendation of city staff. The Company has filed an appeal to this decision with the Local Planning Appeal Tribunal ("LPAT"). If the Company is unsuccessful in its appeal, it will consider transferring the lost capacity to the Quebec Facility. The Company believes that this decision could cause a delay in the completion of the expansion at the Hamilton Facility. As of the date of this MD&A, the Company does not believe that an unsuccessful decision will cause the Company to incur a material impairment on the assets related to the Hamilton Facility. See "Update on Hamilton Facility and Quebec Facility Milestones" with respect to the Company's growing capacity.

Changes in Key Executives

On July 1, 2018, Mr. Robert Anderson, the Company's former Chief Executive Officer, a director and the Co-Chair of the board of directors of the Company (the "Board"), resigned due to health concerns. Mr. Brian Athaide, the Chief Financial Officer, was appointed Chief Executive Officer upon Mr. Anderson's resignation. Ms. Julia Golubovskaya, the Vice President, Finance, was appointed the interim Chief Financial Officer (see "Subsequent Events").

Mr. Prem Virmani was appointed Chair of the Company's Beverage Science and Research Division on June 22, 2018. The Company launched a strategic Beverage Science and Research Division, to which 40,000 kg of annual capacity at the Quebec Facility would be dedicated.

Mr. Geoff Riggs was appointed Chief Information Officer on July 23, 2018.

In connection with the Spin-Off Transaction, Mr. David Doherty resigned from the Board effective September 24, 2018 and was appointed to the board of directors of SpinCo. In his place, Mr. Brian Athaide, the Company's Chief Executive Officer, was then appointed to the Board effective September 24, 2018. In addition, effective September 26, 2018, Mr. Cam Battley resigned from the Board.

Further updates to changes in key executives are discussed in subsequent events.

Financings and Other Updates

On June 26, 2018, the Company completed a bought deal financing of 3,910,000 special warrants of the Company (the "Special Warrants") at $6.40 per Special Warrant for aggregate gross proceeds of $25,040. On August 15, 2018, the date on which a receipt for a final short form prospectus qualifying the units underlying the Special Warrants was issued by the Ontario Securities Commission, each Special Warrant was automatically converted, for no additional consideration, into a unit comprising of one Common Share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at an exercise price of $9.50 per Common Share until June 26, 2021. In connection with this offering, the Company also issued 234,600 underwriter special warrants.

On June 23, 2018, the Company signed a letter of intent (the "Knud LOI") with Knud Jepsen A/S ("Knud Jepsen"), a Hinnerup, Denmark based horticultural and plant breeding company, to form a 50/50 joint venture that, if the Company is legally able to export cannabis and cannabis-based products from Denmark, could eventually give the Company access to approximately 200,000 sq. ft. of automated

greenhouses located within Knud Jepsen's 1.3 million sq.ft. facility of greenhouses in Denmark. The Company has only entered into the Knud LOI and has not paid any consideration in connection with the entering into of the Knud LOI and the potential joint venture in Denmark. The Company and Knud Jepsen continue to negotiate certain variables, including cost and monetary contribution, in respect of the Knud LOI and joint venture. At this time, the Company is unable to estimate the total consideration it expects to pay and the contribution it may make to the planned joint venture. If the Company enters into a definitive agreement and a joint venture, it will begin the process of constructing a facility, which would be completed in phases, beginning with a small test facility.

On June 8, 2018, Medican received its cultivation license from Health Canada for the Breeding Facility at the Valleyfield Land which license is valid until June 8, 2021.

On June 5, 2018, the Company elected to accelerate the expiry date of certain warrants (of the Company issued pursuant to a warrant indenture dated March 24, 2017, with each warrant entitling the holder to acquire one Common Share at a price of $2.15 per Common Share. The warrants were originally scheduled to expire March 24, 2019, but the accelerated date of expiry was July 6, 2018.

On May 2, 2018, the Company successfully completed its initial public offering of 31,510,000 units (the "IPO Units") of the Company at a price of $3.65 per IPO Unit for total gross proceeds of $115,012. Each IPO Unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each warrant is exercisable into one Common Share at the price of $7.00 per Common Share until May 2, 2020, subject to an acceleration right whereby the Company may provide written notice to the registered holders of the warrants that the expiry time of the warrants shall be accelerated to a date which is 30 days after the date of such warrant acceleration notice, if, at any time, the volume-weighted average trading price for the Common Shares is equal to or great than $9.00 for any ten (10) consecutive trading day period. The Company also granted to the agents an over-allotment option to acquire up to 4,726,500 additional IPO Units, which was exercised by the agents in full for additional gross proceeds of $17,252, with a completion date of May 9, 2018. The Common Shares as well as warrants issued pursuant to a warrant indenture dated November 1, 2017 began trading on May 2, 2018 under the symbols "TGOD" and "TGOD.WT", respectively, on the TSX.

On May 1, 2018, Cameron Battley was appointed to the Board.

Between November 3, 2017 and January 16, 2018, the Company undertook a brokered and non-brokered private placement financing whereby the Company issued 34,660,695 units at $1.65 per unit for total gross proceeds of $57,190. Each unit consists of one) Common Share and one-half of one Common Share purchase warrant of the Company. In connection with this financing, the Company issued 631,484 broker warrants, 776,060 finders' units and 70,000 commission units during the year-ended December 31, 2017. The finder's units and the commission units have the same terms as the units issued under the offering.

On January 12, 2018, the Company completed the purchase of 2,001,134 Class A shares of Quebec Subco for $2,001, which represents 49.99% of Quebec SubCo, the company which owns the Valleyfield Land. Concurrently with the purchase of the Quebec SubCo shares, the Company:

(i) entered into a shareholders' agreement with the other shareholders of Quebec SubCo whereby the Company obtained the option to purchase the remaining shares of Quebec SubCo, being 1,000,569 Class A shares and 1,000,569 Class B shares, such purchase being subject to obtaining an approval from the Commission de protection du territoire agricole du Quebec ("CPTAQ"). The Company also granted an option to the other shareholders of Quebec SubCo to sell their shares of Quebec SubCo to the Company upon receipt of CPTAQ approval. Under each option the purchase price is equal to $1.00 per share plus any dividend cumulated or declared but remaining unpaid. The Class B shares bear dividends at a cumulative and preferential rate of 9% of the fair market value of the consideration received by Quebec SubCo at the time of the issuance of such Class B shares while the dividends on Class A shares are left at the discretion of the directors of Quebec SubCo.
(ii) granted a loan in the amount of $1,001 (the "Loan") to the vendor of the Class A shares ("Vendor"). The Loan bears no interest and is secured by the Vendor's shares in Quebec SubCo. Upon the exercise of either the Company or the Vendor's option under the shareholders' agreement, the Loan will be set-off against the purchase price of the 1,000,569 Class A shares still held by the Vendor in Quebec SubCo.
(iii) granted the Vendor 30,000 stock options to purchase Common Shares exercisable at $1.65 per Common Share for a period of three years; and
(iv) entered into a long-term lease agreement through Medican, with two shareholders of Quebec SubCo, for annual rent of $25 with an option to buy 100% of the Valleyfield Land upon receipt of the approval of CPTAQ.

On January 4, 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with Aurora Cannabis Inc. ("Aurora"), pursuant to which Aurora acquired subscription receipts entitling Aurora to acquire 33,333,334 units at $1.65 per unit, for gross proceeds of $55,000. The subscription receipts automatically converted into units upon the Company completing its initial public offering of the listing of the Common Shares on the TSX. Pursuant to the Subscription Agreement, 33,333,334 Common Shares and 16,666,666 warrants were issued on May 4, 2018. Each warrant entitles the holder to purchase one Common Share at the exercise of price $3.00 until May 2, 2020. Pursuant to the Subscription Agreement, the Company also entered into:

(i) a cannabis supply agreement with Aurora's wholly-owned subsidiary Aurora Cannabis Enterprises Inc. providing Aurora with the right to purchase up to 20% of the Company's annual production of organic cannabis;

(ii) a consulting and maintenance services agreement with Aurora's wholly-owned subsidiary Aurora Larssen Projects Inc. ("ALPI") to provide services to the Company on the completion and commissioning of the Hamilton Facility and the Quebec Facility; and

(iii) an investor rights agreement with Aurora (the "Investor Rights Agreement") whereby Aurora has the option to incrementally increase its ownership in the Company to 51% upon the Company achieving certain operational milestones. The Investor Rights Agreement also provides Aurora with the right to participate in any new equity offerings of the Company to maintain its pro rata ownership.

For key developments subsequent to September 30, 2018, see "Subsequent Events".

DEVELOPMENTS IN 2017

On October 25, 2017, Medican submitted an application to become a Licensed Producer under the ACMPR for its Quebec Facility.

On October 3, 2017, TGOD entered into a purchase agreement (the "Eaton Agreement") with Eaton Corporation ("Eaton") which provides for TGOD to purchase from Eaton power distribution and control products, power quality products, including battery replacement services, and power delivery products and power reliability products for a period of 5 years.

On September 1, 2017, the Company executed a revolving credit agreement with a Canadian credit union entitling the Company to borrow to a maximum limit of $5,000, subject to certain reporting requirements. The credit facility is secured by a guaranteed investment certificate ("GIC") and bears a conventional rate of interest. As at December 31, 2017, the Company has not drawn under the revolver loan and is in compliance with the reporting requirements.

On August 18, 2017, the Company issued 508,927 units at an issue price of $1.15 as debt settlement to various parties (the "Legacy Offering"). Each unit consisted of one common share and one warrant of the Company. Each Warrant is exercisable at the exercise price of $2.15 per common share for a period of 2 years.

On August 10, 2017, the Company received its wholesale Sales License after successfully completing an on-site inspection by Health Canada which allows the Company to sell dried or fresh cannabis to another Licensed Producer, a licensed dealer, the Minister of Health and/or an exempted person under the Controlled Drugs and Substance Act.

On March 10, 2017, the Company completed the purchase of a 75-acre property adjacent to the Hamilton facility for $1.9 million. Subsequent to the purchase, the Company amalgamated the two properties with the approval of the municipality to form 100 acres of contiguous production ground. As a result, the license covers the entire 100 acres, to form one of the largest land packages under a single ACMPR licence in Canada. The enlarged site provides a future cannabis agri-park style development and opportunities for future joint venture, licensing and distribution partnerships.

On February 3, 2017, the Company entered into a construction management agreement (the "Ledcor Agreement") with Ledcor Construction Limited ("Ledcor"). The Ledcor Agreement allows Ledcor to manage the construction of the Hamilton Facility. The services and work to be provided under the Ledcor Agreement are guaranteed not to exceed $22,148.

On February 2, 2017, the Company adopted a 10% rolling stock option plan (the "2017 Plan") in order to provide additional incentives to directors, officers, advisors, employees and consultants during this planned growth period of the Company.

In February 2017, the Company undertook a private placement of units at the issue price of $1.15 per unit (the "February Offering"). Each unit consisted of one common share and one warrant. Each warrant is exercisable at the exercise price of $2.15 per common share for a period of 2 years. The February Offering was completed in two tranches, brokered and non-brokered, on March 24 and April 4, 2017 consisting of 23,934,671 private placement units and 1,152,825 finder's units for a total of 25,087,496 units for total gross proceeds of $27,525.

SUBSEQUENT EVENTS

On October 1, 2018, the Company closed its acquisition of HemPoland. In connection with the transaction, the Company paid US$7,750,000 and issued 1,968,323 restricted shares that will be escrowed until October 1, 2021. Additionally, there is a contingent consideration of up to 3,047,722 deferred shares based on HemPoland achieving certain financial target in the 2021 fiscal year. The Company has invested a further US$10,300,000 in HemPoland to fund innovative product development and rapid European expansion.

On October 11, 2018, the Company entered into a strategic joint venture with LLACA Grupo Empresarial ("LLACA") to create an equally joint owned company to enter the medicinal cannabis market in Mexico. LLACA will facilitate the importation, registration and strategic distribution of Company-branded organic cannabis and hemp-derived medical products into the Mexican market.

On October 12, 2018, the first milestone option under the Investor Rights Agreement between the Company and Aurora expired. The milestone option entitled Aurora to acquire an additional 8% of Common Shares for cash at a 10% discount to the ten-day volume weighted average price. Pursuant to the terms of the Investor Rights Agreement, all remaining milestone options to acquire additional interests in the Company have also expired. Management does not expect the expiry of Aurora's milestone option to have a negative effect on the Company's capital resources given the recent completion of a public offering raising gross proceeds of approximately $76 million and the additional funds received in connection with the exercise of the warrants of the Company.

On October 12, 2018, TGOD received an amendment to the License to include the sale of dried marijuana to its medical clients for the Hamilton Facility.

On October 19, 2018, the Company completed a bought deal short-form prospectus offering of an aggregate of 10,950,000 units at a price of $6.85 per unit for aggregate gross proceeds of $75,008. Each unit consisted of one Common Share and one Common Share purchase warrant. Each warrant is exercisable to acquire one Common Share until April 19, 2021 at an exercise price of $9.00 per Common Share. The Company granted the underwriters an over-allotment option to purchase up to an additional 1,642,500 units at a price of $6.85 per unit, which was exercised in full on the closing date raising additional gross proceeds of $1,215.

On October 17, 2018, the provisions under the Cannabis Act (Canada) went into effect permitting, subject to certain provincial and territorial restrictions, the possession of up to 30 grams of legal cannabis, dried or equivalent for adults 18 years of age or older.

Effective October 17, 2018, the Company appointed Sean Bovingdon as Chief Financial Officer.

On October 22, the Board accepted the resignation of Brett Allan as an Officer of the Company.

On October 30, 2018, the Company acquired Blitzstart Holding AG, a company domiciled in Germany with no material net assets for €28,000, which the Company intends to use to seek business opportunities in Germany.

On October 31, 2018, the Company accepted the resignations of Marc Cernovitch (as officer), Jim Shone (as officer) and Julia Golubovskaya (as Interim CFO)

Also, on October 31, 2018 the following individuals were appointed as non-executive officers of the Company:

Marie-Josee Lafrance	–	Vice President, Human Resources
Mike Gibbons	–	Vice President, Sales
Andrew Pollock	–	Vice President, Marketing
John Wren	–	Vice President, Operations

On November 8, 2018, the Company's wholly owned subsidiary, Medican, received its updated cultivation license from Health Canada under the Cannabis Act.

OVERALL PERFORMANCE

SELECTED YEAR TO DATE INFORMATION

The table below summarizes information regarding the Company's loss before income taxes for the periods presented in accordance with IFRS and on a consistent basis with the interim consolidated financial statements and related notes:

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Gross profit	**$ 305**	$ 453
Total operating expenses	**$ 26,220**	$ 9,190
Loss from operations	**$ (25,915)**	$ (8,737)
Loss before income taxes	**$ (27,082)**	$ (8,639)
Basic and diluted net loss per share	**$ (0.13)**	$ (0.08)

SUMMARY OF YEAR TO DATE ("YTD") RESULTS – YTD-2018 as compared to YTD-2017

Losses before income taxes of $27,082 for nine months ended September 30, 2018 were $18,443 higher than nine months ended September 30, 2017 losses before income taxes of $8,639 as a result of significant changes and evolution of the business from its first days of operation to becoming a global organic cannabis producer with an increase in general and administrative spend of $12,078, an increase in R&D spend of $1,312 an increase in marketing expenses of $2,348, an increase in stock-based compensation of $1,081, a decrease in the unrealized gain due to changes in fair value of $148, and an increase in depreciation and amortization expenses of $212. This was partially offset by an increase in finance income of $1,729. The Company did not record any revenue in the period as it was preparing for its exclusive "Grower's Circle" launch to approximately 200 medical cannabis patients and founding investors in January 2019 with product from its existing facility and expects to deliver national sales in both the medical and recreational markets in 2019. The Company has made the conscious decision to delay sales and build inventory to ensure consistent supply and product quality once sales are launched. The Company wants to ensure we are in a position to provide our customers and patients with consistent and reliable product, and in order to do so, it is focusing on operational readiness at our Hamilton and Valleyfield sites.

Marketing expenses

Marketing expenses of $2,907 for the nine months ended September 30, 2018 were $2,348 higher than expenses of $559 for the corresponding period in 2017. Marketing expenses consisted of personnel costs of $445 in comparison to personnel costs of $69 for the nine months ended September 30, 2017, costs of promoting the Company's brand and consumer market research of $2,161 in comparison to $250 for the nine months ended September 30, 2017, and travel and other promotional expenditures of $302 in comparison to $240 for the nine months ended September 30, 2017. The Company's brand and consumer research efforts focused on the organic niche and the organic product differentiation of the Company's portfolio.

Research and development expenses

Research and development ("R&D") expenses of $2,037 for the nine months ended September 30, 2018 where the Company incurred product development costs of $725 for the nine months ended September 30, 2017 as the Company was still in its early stages of growth at the time. R&D expenses for the nine months ended September 30, 2018 consisted of personnel costs of $1,061, product development costs $435, travel and promotional expenditures of $178, and other administrative expenses of $363. In the prior year, the Company wrote off $122 of biological assets and $364 of inventory as it decided to use the cultivated cannabis to further its research and development initiatives into oils prior to the large scale commercial launch. The Company's key R&D activities included the expansion of the Company's strategic initiatives to improve yields and develop organic extraction methods for oil. The product development costs include all direct costs of growing principally including supplies, materials, consumables, utilities and lab testing.

General and administrative expenses

General and administrative expenses of $14,486 for the nine months ended September 30, 2018 were $12,078 higher than expenses of $2,409 for the corresponding period in 2017. Personnel costs increased by $2,852 to $4,013 for the nine months ended September 30, 2018 from $1,161 for the comparative period as a result of expanding operations and larger headcount. For the nine months ended September 30, 2018, professional, legal and consulting fees increased by $4,289 to $4,731 from $442 for the nine months ended September 30, 2017 primarily due to increased operations of operating as a public company versus its private company beginnings in the comparative period. The consulting and professional expenses contain fees that relate to the Company's efforts in obtaining its public company listing where these costs did not meet the criteria to be charged to equity. Furthermore, travel increased by $606 and other administrative expenses increased by $4,206 as a result of significant changes and evolution of the business from its first days of operation to becoming a large research and development company.

Non-cash stock-based compensation expenses

Non-cash stock-based compensation increased by $1,081 from $5,159 for the nine months ended September 30, 2017 to $6,240 for the nine months ended September 30, 2018 which is a result of the Company issuing more stock option compensation to new employees as the Company experienced high growth and inputs into the fair value calculations.

Strategic business initiatives expenses

During the nine-months ended September 30, 2018, the Company spent $791 on professional fees related to its strategic business initiatives related to its international expansion opportunities.

Foreign exchange loss

During the nine-months ended September 30, 2018, the Company experienced $1,759 in foreign exchange losses in comparison to $73 for the same period in the prior year. This is primarily as a result of the Company purchasing US dollars in anticipation of the closing of the HemPoland acquisition.

Finance Income

During the nine-months ended September 30, 2018, the Company earned $1,900 in finance income in comparison to $171 in the same period for the prior year. This was primarily due to the Company having larger cash balances on which it can earn interest.

SELECTED QUARTERLY INFORMATION

The table below summarizes information regarding the Company's loss from operations and other financial information for the periods presented in accordance with IFRS and on a consistent basis with the interim consolidated financial statements and related notes:

	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Restated Q3-2017	Q2-2017	Q1-2017	Q4-2016
Loss before income taxes	$ (11,269)	$ (8,548)	$ (7,266)	$ (6,376)	$ (2,612)	$ (2,785)	$ (3,241)	$ (169)
Net loss and comprehensive loss	$ (11,269)	$ (8,548)	$ (7,266)	$ (6,282)	$ (2,400)	$ (2,386)	$ (2,391)	$ (161)
Net loss per share (basic & diluted)	$ (0.04)	$ (0.04)	$ (0.05)	$ (0.05)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.003)

SUMMARY OF QUARTERLY RESULTS – Q3-2018 as compared to Q3-2017 and Q2-2018

Losses before income taxes of $11,269 for the three months ended September 30, 2018 were $8,657 higher than losses before income taxes of $2,612 for the three months ended September 30, 2017. The increase is comprised of an increase in general and administrative expenses of $4,632 an increase in share-based compensation of $1,508, an increase in marketing expenses of $1,155, and an increase in depreciation and amortization of $109. This was partially offset by an increase in finance income of $1,049, a decrease in R&D expenses of $110 and an increase in gross profit of $126.

In comparison to Q2-2018, where the Company's losses before income taxes were $8,548 which represented an increase in loss of $2,721 primarily due to an increase in personnel costs as a result of rapidly growing initiatives. It is largely comprised of an increase in general

and administrative spend of $268, an increase in marketing expenses of $756, and increase in depreciation and amortization of $117, and offset by a decrease in R&D spend of $600 and increase in finance income of $490.

The Company did not record any revenue in the period as it was preparing for its exclusive "Grower's Circle" launch to approximately 200 medical cannabis patients and founding investors in January 2019 with product from its existing facility and expects to deliver national sales in both the medical and recreational markets in 2019. The Company has made the conscious decision to delay sales and build inventory to ensure consistent supply and product quality once sales are launched.

Marketing expenses

Marketing expenses of $1,417 for the three-months ended September 30, 2018 were $1,155 higher than expenses of $262 for the same period in the prior year and consisted of personnel costs of $233 compared to $24 for the three months ended September 30, 2017; costs of promoting the Company's brand and consumer market research of $1,130 compared to $117 for the three months ended September 30, 2017, partially offset by a decrease in travel and promotional expenditures to $55 compared to $121 for the three months ended September 30, 2017.

In comparison to Q2-2018, marketing expenses increased in Q3-2018 by $756 primarily due to an increase in marketing and branding initiatives that were completed ahead of launching the Company's organic brand with various consumer research activities completed in the period. Marketing expenses in Q2-2018 consisted of personnel costs of $177, costs of promoting the Company's brand at investor conferences of $445 and travel and promotional expenditures of $39.

Research and development expenses

Research and development expenses of $461 for the three months ended September 30, 2018 consisted of personnel costs of $112, product development costs of $109, travel and promotional expenditures of $6, and other research related expenses of $234. The Company incurred research and product development expenses of $571 during the three months ended September 30, 2017.

In comparison to the three months ended June 30, 2018, research and development costs decreased by $600 or 57%, primarily due to decreased personnel costs of $464, decreased product development costs of $108, decreased travel and promotional expenditures of $164 and offset by increased other research related expenses of $136. The Company began production activities in Q3-2018 and some resources were shifted towards cultivation activities instead of research and development activities.

General and administrative expenses

General and administrative expenses of $5,684 for the three months ended September 30, 2018 were $4,632 higher than expenses of $1,053 for the same period in the prior year. Included in general and administrative expenses are personnel costs of $1,387 in comparison to $429 for the three months ended September 30, 2017, consulting fees of $236 compared to $10 for three months ended September 30, 2017, professional and legal fees of $1,287 compared to $154 for three months ended September 30, 2017, travel expenses of $491 in comparison to $132 for the three months ended September 30, 2017, occupancy costs of $111 compared to $109 for the three months ended September 30, 2017 and other administrative expenses of $2,172 in comparison to $219 for the three months ended September 30, 2017.

In comparison to Q2-2018, general and administrative expenses increased by $268 or 5%. Consulting, professional and legal fees increased by $228 due to increased financing activity and work surrounding prospectuses and offering memorandums filed by the Company. Other administrative costs and travel increased from Q2-2018 by $279 and $191 respectively, primarily due to an increase in overall ramp up in operations and office related expenditures. The aforementioned increases were partially offset by decreases in personnel costs related to general and administrative expenses of $427, largely due to $700 one-time accrued compensation payable to the Company's former CEO in Q2-2018, and occupancy costs of $4.

Non-cash stock-based compensation expenses

Non-cash stock-based compensation increased by $1,508 from $807 for the nine months ended September 30, 2017 to $2,315 for the nine months ended September 30, 2018 which is a result of the Company issuing more stock option compensation to new employees as the Company experienced high growth and inputs into the fair value calculations. In comparison to Q2-2018, the Company experienced an increase of $564 for similar reasons.

Strategic business initiatives expenses

During the three-months ended September 30, 2018, the Company spent $791 on professional fees related to its strategic business initiatives related to its international expansion opportunities. No comparable expenses were incurred in the prior year or prior quarter.

Foreign exchange loss

During the three-months ended September 30, 2018, the Company experienced $1,339 in foreign exchange losses in comparison to $60 for the same period in the prior year. This is primarily as a result of the Company purchasing US dollars in anticipation of the closing of the HemPoland acquisition which also explains the variance to Q2-2018 of $1,144.

Finance Income

During the three-months ended September 30, 2018, the Company earned $1,133 in finance income in comparison to $84 in the same period for the prior year. In comparison to Q2-2018, the Company experienced a $561 increase in finance income. This was primarily due to the Company having larger cash balances on which it can earn interest.

Use of Proceeds from Previous Financings

As of September 30, 2018, the Company has used the proceeds from previous financings to execute the plan set out in the Company's initial public offering ("IPO") filings in addition to the initiatives set out in the $6.40 bought deal filings. The Company used previous funds as capital for its Hamilton Facility and Quebec Facility, other capital expenditures, licensing transactions and development of start-up projects, and operational expenses.

	Capital to spend based on August 10, 2018 revised estimate	Usage from latest estimate to September 30, 2018	Variance
Total Use of Proceeds from Previous Financings [(1)]	255,288,150	81,852,800	173,435,350

(1) The Company is actively working on these projects. Significant funds remain to ensure the Company can complete its business objectives and milestones. Updates on each facility and their respective milestones are provided below. See "Update on Hamilton Facility and Quebec Facility Milestones". As at September 30, 2018, no funds have yet been spent on new acquisitions, joint ventures or joint operations. See "Subsequent Events".

FINANCIAL POSITION

The following is a discussion of the changes to the Company's financial position as at September 30, 2018 as compared to December 31, 2017:

in thousands of $CAD, except %		September 30, 2018		December 31, 2017	Change ($)	Change (%)	Comments
ASSETS							
Current assets							
Cash and cash equivalents	**$**	**207,617**	$	63,736	143,881	226	See Liquidity and Capital Resources section below.
Restricted cash		**50,000**		16,000	34,000	213	See Liquidity and Capital Resources section below.
Harmonized Sales Tax receivable		**6,626**		566	6,060	1,071	An increase in large dollar purchases in with the input tax credits to be refunded subsequent to the period end.
Biological assets		**586**		-	586	100	The increase in biological asset value is due to costs being capitalized in addition to the gain in fair value of the underlying biological assets. The Company is preparing to launch its premier, premium product with an exclusive "Grower's circle" pilot project.
Prepaid expenses		**2,147**		266	1,881	707	An increase in prepaid expenses and deposits with the ramp-up to be operationally ready for full scale production in 2019.
Notes receivable		**968**		—	968	100	Notes issued in line with respect to the Company's strategic business initiatives.
Advances to related parties		**643**		714	(71)	(10)	See Related Party section below.
Other current assets		**1,676**		184	1,492	811	An increase due to accrued interest earned on deposits.
	$	**270,263**	$	81,466	188,797	232	
Non-current assets							
Property, plant and equipment	**$**	**65,162**	$	6,965	58,197	836	An increase due to $58,513 in additions partially offset by $316 in depreciation.
Intangible assets		**5,540**		5,575	(35)	(1)	A decrease due to $235 in amortization partially offset by $200 in additions.
Goodwill		**2,007**		2,007	-	-	
Investment in associate		**11,779**		-	11,779	100	The Company obtained a 49.18% interest in Epican Medicinals Ltd. in addition to a 49.99% interest in QuebecCo.
Loan receivable		**1,001**		-	1,001	100	Loan granted in QuebecCo transaction.
Other assets		**5,075**		964	4,111	426	An increase due to collateral for Letters of Credit on construction projects.
Total assets	**$**	**360,827**	$	96,977	263,850	272	

in thousands $CAD, except %		September 30, 2018		December 31, 2017	Change ($)	Change (%)	Comments
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Accounts payable and accrued liabilities	**$**	**15,090**	$	3,729	11,361	305	An increase due to increased transactional activity due to construction at both the Hamilton and Valleyfield sites.
Deferred subscription receipts		**-**		16,000	(16,000)	(100)	A decrease due to the conversion of all outstanding deferred subscription receipts into common shares.
Total liabilities	**$**	**15,090**	$	19,729	(4,639)	(24)	
Total Shareholders' Equity	**$**	**345,737**	$	77,248	268,489	348	An increase due to increased share capital of $256,068, reserve for warrants of $37,461, reserve for underwriter special warrants of $610, contributed surplus of $501, reserve for share-based compensation of $932, and offset by an increase in the accumulated deficit of $27,083.
Total Liabilities and Shareholders' Equity	**$**	**360,827**	$	96,977	263,850	272	

LIQUIDITY AND CAPITAL RESOURCES

During the three and nine months ended September 30, 2018 and three and nine months ended September 30, 2017, the Company had no revenue from operations and relied on equity financing to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to maintain investor and creditor confidence and to sustain the future development of the business. During the period, the Company completed various equity financings to meet its current and anticipated future obligations.

Working capital as of September 30, 2018 was $255,173 (December 31, 2017 - $61,737). Total cash position was $207,617 not including $50,000 of restricted cash (December 31, 2017 – $79,736 of which $16,000 was restricted cash) held in trust as collateral on construction contracts.

Operating Activities

In Q3-2018, cash used in operating activities was $13,899 (YTD - $24,797), and consisted of net loss after income taxes of $11,268 (YTD - $27,082) and unrealized gain on change in fair value of biological assets of $305 (YTD - $305), offset by non-cash stock-based compensation of $2,315 (YTD - $6,239), depreciation of $149 (YTD - $316), and amortization of $82 (YTD - $235). Changes in non-cash working capital included an increase in prepaid expenses of $1,185 (YTD - $1,881), an increase in harmonized sales tax receivable of $2,496 (YTD - $6,060), an increase in biological assets of $254 (YTD - $281), an increase in other current assets of $2,028 (YTD - $2,897), an increase in other assets (long-term) of $19 (YTD - $4,111), and offset by an increase in accounts payable and accrued liabilities of $760 (YTD - $10,680). The cash burn during the period was driven by personnel costs, investor relations costs associated with the IPO and subsequent capital issuances, and consulting other professional fees arising from the ramp-up in administration and operations as the Company prepared for full scale production in 2019.

Investing Activities

In Q3-2018, cash used in investing activities was $41,527 (YTD - $69,321), and consisted mainly of investments in property, plant and equipment of $33,310 (YTD - $49,835) and change in non-cash working capital related to property, plant and equipment of $220 (YTD - decrease of $8,678) as the Company has commenced work on the expansion of the Hamilton Facility and the Quebec Facility. The Company also completed the purchase of Epican, resulting in cash used of $8,437 (YTD - $10,608). In Q1-2018, the Company also acquired an interest in Quebec SubCo for $2,001 with acquisition costs of $170 also being attributed to the purchase. Additionally, the Company entered into a technology licensing arrangement at a cost of $200.

Financing Activities

During the nine months ended September 30, 2018, the Company received net proceeds from share issuances of $201,916. During the three and nine months ended September 30, 2018, the Company received $1,801 (YTD - $2,200) in proceeds from the exercise of stock options, $46,804 (YTD - $60,346) in proceeds from the exercise of warrants, $836 (YTD - $1,405) in interest on its deposits, and $6,973 (YTD - $7,166) related to proceeds on repayment of related party loans. Cash used in financing activities for the three months ended September 30, 2018 related to advances to related parties of $4,382 (YTD - $7,127) and share issue costs of $233. In Q1-2018 the Company provided a loan for $1,001 to the vendor of Class A shares as part of the arrangement for the investment in Quebec SubCo. Cash provided by financing activities was driven by proceeds received from the IPO and other capital issuances, as well as exercises of stock options and warrants during the period.

Revolver Loan

On September 1, 2017, the Company executed a revolving credit agreement with a Canadian credit union entitling the Company to borrow to a maximum limit of $5,000, subject to certain reporting requirements. The credit facility is secured by a GIC and bears a conventional rate of interest. As at September 30, 2018, the Company has not drawn under the revolver loan and is in compliance with the reporting requirements.

Lease commitments

The Company has entered into lease commitments at multiple locations. The total future minimum annual lease payments are as follows:

	$
Within one year	226
After one year but not more than five years	593
More than five years	602
Total	1,421

The lease for the office spaces of the Company's headquarters required the issuance of a letter of credit in the amount $350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at September 30, 2018, there have been no breaches and no amounts have been drawn upon this letter of credit.

Construction agreements

The Company has entered into contracts to facilitate the construction of the Hamilton Facility and the Quebec Facility with various vendors. Pursuant to some of these agreements, the Company has issued letters of credit in the amount of $5,578 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") chosen to secure the letters as collateral. The Company has pledged $5,578 of GICs as collateral which has been recorded in other assets due to the long-term nature of the particular project. As at September 30, 2018, there have been no breaches and no amounts have been drawn on the letters of credit. The Company has also entered into an escrow agreement with its construction partner in Quebec whereby $50,000 has been allocated to the Quebec project and these funds are included in restricted cash.

Update on Hamilton Facility and Quebec Facility Milestones

The next milestones that the Company intends to meet for each of the Hamilton Facility and the Québec Facility are i) the receipt of the amendment to the License to permit the Company to sell dried cannabis to medical clients (which was received subsequent to the quarter-end, see "Subsequent Events"), and ii) the completion of construction of the structures for each facility. The estimated costs of the first milestone were immaterial and the estimated costs to achieve the second milestones are $35,000 for the Hamilton Facility and $140,000 for the Quebec Facility. Costs incurred to date on the facilities build outs are included in Construction in Progress in the Company's financial statements. The Company expects to complete both facilities in the first half of 2019. The foundations for each facility have been laid and the larger greenhouse materials have been ordered and are being processed by key vendors.

The below table outlines the growing capacity at each of the Hamilton Facility and the Québec Facility:

Item	Hamilton Facility	Québec Facility
Square footage	150,000 square feet	1,107,245 square feet
Growing Capacity	Approximately 14,000 kilograms	Approximately 142,000 kilograms

On July 19, 2018, the Hamilton City Council voted to disallow the zoning amendment to the Hamilton Facility's planned greenhouse expansion contrary to the recommendation of city staff. The Company has filed an appeal to this decision with the LPAT. If the Company is unsuccessful in its appeal of the decision of the Hamilton city Council, the Company is considering transferring approximately 11,000 kgs. of growing capacity from the Hamilton Facility to the Québec Facility by building an extension to the Québec Facility, leaving 3,000 kgs. of growing capacity at the Hamilton Facility. The Company is in the process of estimating the cost of such an extension should it be required.

(1) These statements constitute forward looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. The Company believes that there is a reasonable basis for the expectations reflected in the forward-looking statements, however, these expectations may not prove to be correct.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Except as disclosed in Note 3 to interim consolidated financial statements, there were no significant changes in critical accounting estimates and judgements for the three and nine months ended September 30, 2018 and 2017. We describe our significant accounting policies and critical accounting estimates in Note 3 to the audited consolidated financial statements and MD&A for the year ended December 31, 2017.

IFRS 9 Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement, which introduces a new concept for classification and measurement of financial assets as well as a new impairment model.

Summary of the new requirements

The classification of debt financial assets in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The assessment of the contractual cash flow characteristics addresses the contractual cash flows of a financial asset to test whether they consist of solely payments of both principal and interest on the principal outstanding, often referred to as "SPPI test".

Based on the business model and the SPPI test results, debt financial assets are measured at:

- Amortized cost,
- Fair value through other comprehensive income or
- Fair value through profit or loss.

In order to be measured at amortized cost, a debt financial asset has to:

a) be held in a hold to collect business model; and

b) pass the SPPI test.

In order to be measured at fair value through other comprehensive income, a financial asset has to:

a) be held in a hold to collect and sell business model; and

b) pass the SPPI test.

In all other situations, including when an entity chooses to irrevocably designate to eliminate an accounting mismatch, a debt financial asset is measured at fair value through profit or loss.

Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The treatment of embedded derivatives under the new standard is consistent with IAS 39 but it only applies to financial liabilities and non-derivative host contracts not within the scope of the standard.

All debt financial assets measured at either amortized cost or fair value through other comprehensive income fall under the new expected credit loss model introduced by IFRS 9.

The standard is effective for annual periods beginning on January 1, 2018.

Impact on the Company's financial statements on initial adoption

Based on the new classification and measurement requirements for debt financial assets, the Company's financial assets previously classified as loans and receivables (cash and cash equivalents, restricted cash, harmonized sales tax receivable, note receivable, and advances to related party) are classified as amortized cost financial assets. There was no change in the measurement basis of these financial assets.

The impact resulting from the new expected credit loss model was determined to be immaterial.

Based on the Company's assessment, financial liabilities previously classified as financial liabilities at amortized cost (accounts payable and accrued liabilities and deferred subscription receipts), continue to be measured at amortized cost.

The Company retrospectively adopted the standard on January 1, 2018 and, in line with the transitional provisions of the standard, chose not to restate comparative financial information. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements, hence no adjustment to opening retained earnings was recorded.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 became effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively on January 1, 2018. To date, the Company has not yet recognized any revenue and therefore the adoption of IFRS 15 did not require any adjustments to the annual consolidated financial statements.

[b] New and revised IFRS in issue but not yet effective

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognized, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has completed a high-level scoping analysis to determine which agreements contain leases and to determine the expected conversion differences for leases currently accounted for as operating leases under the existing standard. The next assessment phase will involve a detailed analysis and solution development to ensure the Company is ready for the implementation of the standard effective January 1, 2019. The Company is currently assessing the potential impact of IFRS 16.

[c] Change in accounting policy

Biological assets

During the three months ended September 30, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as period costs. The new accounting policy is as follows:

While the Company's biological assets are within the scope of *IAS 41 Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in *IAS 2 Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'production costs' on the statement of loss and comprehensive loss in the period that the related product is sold. Unrealized gain on changes in fair value of biological assets are recorded in a separate line on the face of the statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

The new accounting policy provides more reliable and relevant information to users as the gross profit before fair value adjustments only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold.

The Company has assessed the retrospective impact of this change in accounting policy. There is no impact of this policy change on gross profit, net loss, the statement of financial position, or the statement of changes in equity on the current or any prior period and any changes to any other individual line items were deemed to be immaterial.

[d] New accounting policy with significant estimates

Investments in associates

Accounting Policy

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost, excluding financial assets that are not in-substance common shares and inclusive of transaction costs. These interim condensed consolidated financial statements include the Company's share of the income and expenses and equity movement of equity accounted investees. In accordance with IFRS, the investee's most recent available financial statements are used in the application of the equity method. Where the investee's reporting period differs from the Company's, the investee prepares financial information as of the same period end as the Company, unless it is impracticable to do so. Otherwise, the Company will adjust for its share of income and expenses and equity movement based on the investee's most recently completed financial statements, adjusted for the effects of significant transactions. The Company does not recognize losses exceeding the carrying vale of its interest in the associate.

Significant Judgements

The Company uses judgement in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

[a] Fair values

The Company's financial instruments were comprised of the following as at September 30, 2018: cash and cash equivalents of $207,617; harmonized sales tax receivable of $6,626; advances to related parties of $643; a loan receivable of $1,001, accounts payable and accrued liabilities of $15,090.

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments. The fair value of the loan receivable recorded at fair value through profit and loss is level 3 and is based on the established underlying fair values of the assets during the recent transaction involving the investment in Quebec SubCo whereby it was reasonably concluded to continue to approximate the same fair value as at September 30, 2018 as compared to the initial recognition date.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the three and nine months ended September 30, 2018, cash and cash equivalents and restricted cash were measured at Level 1 on the hierarchy. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three and nine months ended September 30, 2018, there were no transfers of amounts between levels.

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company include the Board; Chief Executive Officer; Former Chief Executive Officer, Chief Financial Officer, President, Executive Vice-President, Project Operations; Executive Vice-President, Corporate Development; Executive Vice-President & General Manager, Operations; Executive Vice-President; and General Counsel. As at September 30, 2018, the Company has $67 owing to key management personnel, included in accounts payable and accrued liabilities which consists of accrued Directors' fees.

Advances to related parties

Epican Medicinals Ltd.

On December 22, 2017, the Company advanced $267 (US$200,000) to Epican in the form of a convertible note (the "First Note") which was expected to mature on June 22, 2018. The First Note was unsecured and bore an annual interest of 10%.

On April 4, 2018, Epican incorporated a wholly-owned Canadian subsidiary ("Epican Canada"). Two Company officers were appointed to a five-member board of directors of Epican Canada making the Company and Epican Canada related parties. On May 7, 2018, the Company advanced a further $329 (US$250,000) to Epican in the form of a convertible note (the "Second Note") which was expected to mature on June 27, 2018.

On June 11, 2018, the Company entered into a strategic partnership agreement (the "Epican Agreement") with Epican whereby it also signed a definitive agreement with Epican to acquire approximately 49% of Epican's shares. Also, on June 11th, 2018, the Company agreed to advance a further $1,975 (US$1,500,000) (the "Third Note") to Epican. In addition to the Epican Agreement, the Company entered into an additional agreement with Epican which extended the maturity dates of the First Note and the Second Note to July 18, 2018, removed the conversion feature on the Second Note and waived all interest. The amounts for the Second Note and the Third Note were applied towards the final cash consideration amount payable at the closing of the Epican investment.

During the three and nine months ended September 30, 2018, the Company further advanced funds for goods and services to Epican to be reimbursed in the amount of $549 which remained outstanding as at September 30, 2018.

Advances to TGOF Corp.

The Company advanced the following amounts to a related party entity, TGOF Corp., of which a director of the Company and a former director of the Company, are shareholders:

a. $125 on March 31, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of June 30, 2017. This note payable was settled on June 30, 2017 with a replacement note payable in the same amount and interest rate with a maturity date of June 30, 2018. The note was repaid in full on July 27, 2018.

b. $132 (US$100,000) on June 26, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of September 26, 2017. This advance was replaced by a note payable dated September 26, 2017 for the same amount, at an interest rate of 0% and a maturity date of September 26, 2018. $80 was repaid on September 12, 2018, while the remaining $49 is receivable as at September 30, 2018.

Other transactions with related parties

The Company advanced $23 to Quebec SubCo during the three months ended September 30, 2018 ($45 for the nine-months ended September 30, 2018). The entire balance of remained outstanding as at September 30, 2018.

As described in the Business Overview section above, the Company entered in to a design, consulting and maintenance services agreement with Aurora's wholly-owned subsidiary ALPI to provide services to the Company on the completion and commissioning of the Hamilton Facility and the Quebec Facility. As at September 30, 2018, ALPI had completed the contract for a total of $950. As the Company completed its initial public offering on May 2, 2018, pursuant to the agreement, the deferred subscription receipts converted to 33,333,334 Common Shares and 16,666,667 warrants of the Company. The Company also paid $13 for clones to be used in TGOD's production during the three and nine months ended September 30, 2018. ALPI delivered notice of termination of the contract on November 1, 2018.

REGULATORY LANDSCAPE

Canadian Regulatory Landscape

Cannabis production, distribution, sale, and use is illegal in Canada except where specifically permitted by law. Until October 17, 2018, when the federal *Cannabis Act* and accompanying provincial legislation came into force, cannabis had only been legally available in Canada for medical use by licensed producers and authorized individuals under federal regulation first under the Medical Marihuana Access Regulations, later replaced with the Cannabis for Medical Purposes Regulations (the "**MMPR**"), and then the ACMPR. On October 17, 2018, cannabis became legal for adult recreational use, in addition to medical use as permitted under federal law.

Medical Cannabis - Summary of the ACMPR

The ACMPR was the governing regulation in respect of the production, sale and distribution of medical cannabis and related oil extracts in 2016 until October 17, 2018. The ACMPR replaced the MMPR in 2016 as a result of the ruling by the Federal Court of Canada in the case of Allard v Canada which found the MMPR unconstitutional as it violated the plaintiffs' rights under Section 7 of the Canadian Charter of Rights and Freedoms due to the restrictions placed on a patient's ability to reasonably access medical cannabis.

The ACMPR effectively combined the regulations and requirements of the MMPR, the Marihuana Medical Access Regulations and the section 56 exemptions relating to cannabis oil under the Controlled Drugs and Substance Act (the "CDSA") into one set of regulations.

As of October 17, 2018, cannabis is no longer be regulated under the CDSA and is now regulated under the Cannabis Act. The ACMPR has been replaced by the Cannabis Regulations. The regulatory framework under the ACMPR remains largely in place under the Cannabis Act.

Adult Use Cannabis

The Company intends to participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market.

Adult Recreational Cannabis - Federal Regulatory Framework

The Cannabis Act and the Cannabis Regulations (described below) provide a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use (i.e., adult recreational use). The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Transitional provisions of the Cannabis Act provide that every license issued under section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations ("Cannabis Regulations"), the new Industrial Hemp Regulations ("IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), along with proposed amendments to the Narcotic Control Regulations and certain regulations under the *Food and Drugs Act.* Recognizing the Federal Government's commitment to bringing the Cannabis Act into force, the Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products that became available for legal sale as of October 17, 2018.

Provincial Regulatory Framework for Recreational Cannabis

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions once the Cannabis Act comes into force.

Each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age will be 18.

Ontario: Under the *Cannabis Act*, 2017, the Ontario Cannabis Retail Corporation, which is a subsidiary of the Liquor Control Board of Ontario ("LCBO"), is the sole-source supplier and distributor of recreational cannabis. The OCS currently sells recreational cannabis to the public through its on-line platform. The Alcohol, Gaming and Cannabis Corporation of Ontario regulates recreational cannabis licenses and sales.

Recreational cannabis will also be sold by through a tightly regulated Private Retail Model, with a target date April 1, 2019. Retail cannabis stores will not be permitted in municipalities which pass resolutions by January 22, 2019 to prohibit the sale of recreational cannabis. The details of the application process have not been publicly announced. The OCS currently is in the process of entering into supply agreements with multiple licensed producers and is establishing a wholesale distribution network to supply legal private.

Licensed Producers can only operate one retail store and it must be located the premises authorized under their federal license.

British Columbia: The Government of British Columbia's *Cannabis Control and Licensing Act* and *Cannabis Distribution Act* create a hybrid distribution and sales model. The provincial Liquor Distribution Branch is the sole source wholesale distributor of recreational cannabis to privately-operated stores and it operates is own BC Cannabis Stores.

Alberta: The Government of Alberta has announced a cannabis framework providing for the purchase of cannabis products from private retailers that will receive their products from the Alberta Gaming and Liquor Commission, a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Licensed Producers may sell directly to the AGCL, but may not sell directly to private retailers or to the public. The AGLC also sells recreational cannabis through its own on-line platform.

Saskatchewan: The Saskatchewan Liquor and Gaming Authority issues permits for both wholesalers and cannabis retailers. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers, but not to the public. Registered Licensed Producers may sell to permitted wholesalers but not to the public. The Government of Saskatchewan initially announced that it intended to issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

Manitoba: The Government of Manitoba put in place a ''hybrid model'' for cannabis distribution when cannabis for recreational purposes is legalized. Under The Liquor, Gaming and Cannabis Control Act, the Liquor, Gaming and Cannabis Authority acts the sole source supplier of recreational cannabis to licensed private retail stores, which may sell to the public both on-line and in authorized store locations. Manitoba held an RFP process for private retailers, which was open until December 22, 2017, at the end of which four proponents were selected. A subsequent process was opened in July 2018 to select additional pre-qualified retailers, eligible to apply for retail licenses.

Quebec: Recreational cannabis in Quebec is sold on-line and in retail stores operated by the Société québécoise du cannabis, which is a subsidiary of, and under control and supervision of the Société des alcools du Québec. There are no private retailers.

New Brunswick: Cannabis NB, which is a subsidiary of the New Brunswick Liquor Corporation, is the sole retailer of recreational cannabis, operating an on-line platform and retail stores. The Cannabis Management Corporation controls and oversee the sale of recreational cannabis in New Brunswick.

Nova Scotia: Under the Cannabis Control *Act*, the Nova Scotia Liquor Corporation is responsible for the regulation of the retail sale of recreational cannabis in the province, and recreational cannabis will only be sold publicly through government-operated storefronts and online sales.

Prince Edward Island: Similar to Nova Scotia and New Brunswick, under the *Cannabis Management Corporation Act*, the sale of recreational cannabis will controlled and supervised by the Cannabis Management Corporation, which will operate retail stores and online sales.

Newfoundland and Labrador: Under the *Cannabis Control Act*, recreational cannabis will be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "**NLC**"), regulating distribution to private sellers who may sell to consumers. The NLC will control the possession, sale and delivery of cannabis, and set prices. It will also

be the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Yukon: Under the *Cannabis Control and Regulation Act*, the distribution and sale of recreational cannabis will be limited to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Northwest Territories: The N.W.T. Liquor Commission is the sole source supplier and distributor of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

Nunavut: The Nunavut Liquor and Cannabis Commission sells cannabis to the public on-line and by telephone sales, as well as acts as the sole-source wholesaler for private retailers. Nunavut also permits private retailers be licensed to operate a cannabis store, remote sales store, or cannabis lounge.

There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will be implemented on the terms outlined above or at all.

Regulatory Landscape Outside Canada

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and its regulatory obligations to the TSX. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

Denmark

As of January 1, 2018, the Danish government initiated a trial permitting doctors to prescribe medical cannabis to a defined patient group. The trial will continue for the next four years and is supported by federal funding. The Danish Medicines Agency issues licenses to import “primary” (starter) cannabis products and to cultivate (four year development scheme as of July 1, 2018) and produce approved forms of medical cannabis for wholesale distribution within Denmark. All medical cannabis production facilities and products are subject to inspection by the Danish Medicines Agency. Regulations for the export of medical cannabis from Denmark have yet to be developed. In October 2018, the Danish Parliament has initiated negotiations on a legislative proposal for the export of medicinal cannabis from Denmark. The legislation is expected to come into force as of January 1, 2019; however, the date of application concerning the export requirements is not yet known due to the on-going negotiations.

Jamaica

The Cannabis Licensing Authority (the “CLA”) was established in Jamaica in 2015 under the *Dangerous Drugs Act*, with powers to make and oversee the implementation of regulations for licenses, permits and other authorizations for the cultivation, processing, distribution, sale and transportation of cannabis for medicinal, scientific and therapeutic purposes. Currently the regulations do not generally allow for the import or export of medical cannabis, subject to obtaining an export permit. Medical cannabis is available to patients with a prescription written by a medical practitioner registered with the Medical Council of Jamaica. Licenses, permits and other authorizations are required for the cultivation, processing, distribution, sale and transportation of medical cannabis. License applications are subjected to a rigorous review process and licensees are subject to pre- and post-license inspection and reporting requirements. Once an applicant completes its post production building, the CLA inspects for final and full license approval.

Poland

In Poland, the use of hemp is generally restricted and may be accepted only if certain statutory requirements are met. Polish laws provide specific regulations, depending on the use of the hemp. Pursuant to the *Misuse of Drugs Act*, hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical and construction industries, as well as for seed production. Buying hemp from a farmer requires a permit from the governor of the province holding territorial jurisdiction over

the plantation. Buying and reselling hemp seeds is subject to notification to the appropriate Provincial Inspector of Plant Health and Seed Inspection. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the *Act on the Safety of Food and Nutrition*. The cultivation of cannabis is prohibited in Poland.

Mexico

On June 19, 2017, Mexico enacted laws allowing for the use of cannabis for medicinal purposes that can be prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC. The authority overseeing medicinal cannabis regulations in Mexico is the Mexican Ministry of Health through the Federal Commission for the Protection against Sanitary Risks (COFEPRIS). The Mexican government and regulatory authorities are in the process of issuing formal regulations for medicinal cannabis. On September 20, 2018, the Federal Commissioner of the COFEPRIS announced the conclusion of the technical review process for the regulation of medicinal cannabis and the proximate presentation of the regulations to the Mexican President for ratification. Management anticipates that medicinal cannabis regulations will be ratified in the near future and exports to Mexico could begin sometime thereafter.

Country	Regulatory Status and Framework	Corporate Activities	Applicable Licenses / Permits
Jamaica	Cannabis is federally permitted for medicinal use under the Dangerous Drugs Act. The Cannabis Licensing Authority, established in 2015, oversees licensing for cultivation, processing, distribution, sale and transportation. Regulations allow for medical cannabis to be provided to patients with a prescription written by a medical practitioner	49.18% interest in Epican Medicinals, a vertically integrated cannabis company with cultivation, extraction and retail distribution. The Company intends to construct a second GMP compliant facility as part of an export-oriented cultivation and processing site of up to 125,000 square feet.	Cultivator's license (Tier 1)- obtained Processing License (Tier 1)- obtained Retail (Herb House) License (medical sales only)- obtained Applications have been submitted for the second export-focused cultivation site.
Poland	The cultivation and distribution of cannabis is prohibited in Poland. The cultivation of hemp is permitted for certain specific uses, including for the food industry. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the Act on the Safety of Food and Nutrition.	Sale of hemp-based products in Poland and export of hemp-based products to other EU and international jurisdictions as local regulations allow. HemPoland CBD products are classified as dietary supplements in Poland.	Permission of Sanitary Office required to produce edible products – obtained Notification to Sanitary Office required to market dietary supplements- complete. Notification to the Provincial Inspector of Plant Health and Seed Inspection required to buy and resell hemp seeds – complete Legal authorizations of the appropriate local governments to purchase hemp from authorized farmers - obtained
Denmark	Trial permitting doctors to prescribe medical cannabis to a defined patient group was initiated in January 2018. The trial will continue for the next four years. The Danish Medicines Agency issues licenses to import "primary" cannabis products and to cultivate and produce approved forms of medical	Proposed joint venture to cultivate premium organic cannabis and for cannabis oil extraction for export into other EU and international jurisdictions, provided that regulations, when released, permit these activities.	Cultivation license – application submitted by proposed joint venture partner, Knud Jepsen, in July 2018

	cannabis for wholesale distribution within Denmark. Regulations for the export of medical cannabis from Denmark have yet to be developed.		
Mexico	Federal laws allowing for use of cannabis for medical purposes were enacted on June 19, 2017. Products that can be prescribed by any licensed physician and sold in pharmacies must contain less than 1% THC. Medical cannabis regulations are administered by the Mexican Ministry of Health through the Federal Commission of the Protection against Sanitary Risks (COFEPRIS). Regulatory authorities are in the process of issuing formal regulations for medical cannabis.	Joint venture with local partner who will facilitate importation, registration and distribution in the Mexican market	Psychotropic Groups IV and V Licenses (to be held by the Company's JV partner and its affiliates) – obtained

RISK FACTORS AND UNCERTAINTIES

The results of operations and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside of the control of management. For a detailed discussion regarding the relevant risks and uncertainties, see the Company's amended AIF for the year ended December 31, 2017, dated July 10, 2018, which is filed on SEDAR. There have been no significant changes to these risks and uncertainties as of the date of this MD&A other than as updated below:

Foreign jurisdiction may impose ownership or control restrictions that could adversely impact the Company's international operations.

Non-resident individuals and non-domiciled foreign legal entities may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply to legal entities domiciled in such countries which are controlled by foreign investors. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the acquisition or use of property, and its ownership or access rights in respect of any property the Company owns or leases in such jurisdictions may be subject to legal challenges, all of which could result in a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

The Company relies on international advisors and consultants in order to keep abreast of material legal, regulatory and government developments that impact its business and operations in the jurisdictions in which it operates.

The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labor, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.

International operations will result in increased operational, regulatory and other risks.

The Company may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of its operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with its existing operations.

Danish Regulatory Risks

Entering into a joint venture with Knud Jepsen depends upon, among other things, the parties agreeing to the terms of the joint venture. There can be no assurance that such terms will be agreed upon and that the joint venture will be entered into. No assurance can be given that Knud Jepsen will be granted a cannabis cultivation license in Denmark. Further, Denmark does not currently have in place a regulatory regime that permits the export of cannabis or cannabis-based products from Denmark. The Company has no indications that regulations to permit the export of cannabis from Denmark will be introduced. In the event that the Company enters into a joint venture with Knud Jepsen but is unable to export medical cannabis from Denmark, the Company would limit the sales of the product of such joint venture to Denmark, which could limit the value of the Danish joint venture.

Risk of non-compliance in certain European jurisdictions

Certain jurisdictions in Europe have blanket bans on THC in hemp products and HemPoland's products contain trace amounts of THC. Prior to distribution, the Company is currently conducting an in-depth country by country analysis of each market to establish the legality of product distribution by HemPoland in such jurisdictions. There is the possibility that any such European jurisdiction where HemPoland has sold products could determine that HemPoland was not compliant with applicable local regulations. If HemPoland's historical sales or operations were found to be in violation of such European regulations HemPoland and/or the Company may be subject to enforcement actions in such jurisdictions including, but not limited to civil and criminal penalties, damages, fines, the curtailment or restructuring of HemPoland's operations or asset seizures and the denial of regulatory application. In addition, if HemPoland sells or distributes their products to European jurisdictions where their products are not found to be in compliance with the local regulatory regime in the future, the Company may be subject to certain administrative fines or penalties which could require the Company to incur significant costs and adversely affect the Company's growth and expansion plans in Europe.

The Company may encounter political and other risks in emerging markets.

The Company has operations in various emerging markets and may have operations in additional emerging markets in the future. Such operations expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates; military repression; war or civil war; social and labor unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favor or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Restrictions related to or changes, if any, in cannabis industry or investment policies or shifts in political attitude in the countries in which the Company operates may adversely affect the Company's operations or profitability. For example, Epican has operations in Jamaica, where current regulations do not permit import or export of cannabis. In addition, in Denmark, where the Company has entered into an agreement to form a joint venture, medical cannabis is still in trial phases. Regulations for the export of medical cannabis in Denmark and Poland remain to be developed. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company continues to monitor developments and policies in the emerging markets in which it operates and assess the impact thereof on its operations; however, such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

The medical cannabis industry and market are relatively new in Canada and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market.

As a Licensed Producer, the Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of restrictions on sales and marketing or restrictions on sales in certain areas, and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

Hamilton Facility and the Quebec Facility

The Hamilton Facility and the Quebec Facility are integral to the Company's business and adverse changes or developments affecting either of the Hamilton Facility or the Quebec Facility may impact the Company's business, financial condition and results of operations.

The Company's activities and resources are currently focused on the Hamilton Facility. The License is specific to the Hamilton Facility. Adverse changes or developments affecting the Hamilton Facility, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under the License or the prospect of renewing the License or would result in a revocation of the License.

The Company is appealing the rejection by the Hamilton city Council of the zoning amendment related to the greenhouse expansion at the Hamilton Facility. No assurance can be made that the appeal will be granted. Should the appeal be rejected or not be successful in a timely manner, the Company intends to transfer the capacity lost at the Hamilton Facility to the Quebec Facility once that facility is complete.

The Company is expecting to complete the build-out of its Quebec Facility, and the Company has been granted the Québec Facility License. The Company expects that the Quebec Facility has the potential to significantly increase the Company's cultivation and growing capacity. However, no assurance can be given that the Company's cultivation and growing capacity will increase significantly. The expectations of management with respect to the increased future cultivation and growing capacity may not be borne out, which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-out of the Quebec Facility, howsoever caused, could have a material adverse effect on the Company's business, financial condition and results of operations. The construction of the Quebec Facility is also subject to zoning approval. A rejection of a zoning

application by the local government could delay the construction of the Quebec Facility and have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is reliant on cultivation licenses to produce medical cannabis products in Canada

The Company is dependent upon its License and the Québec Facility License for its ability to grow, store and sell medical cannabis and other products derived therefrom at the Hamilton Facility and Quebec Facility and the License and the Québec Facility License are subject to ongoing compliance, reporting requirements and renewal.

The Company's ability to grow, store and sell cannabis for medical purposes in Canada is dependent on the License and Québec Facility License. The License and Québec Facility License are subject to ongoing compliance, reporting requirements and renewal. The License was last amended on April 20, 2018. The Québec Facility License was granted on June 8, 2018. Although the Company believes it will meet the requirements of the ACMPR for future renewals of its License and the Québec Facility License, there can be no guarantee that Health Canada will renew the License and the Québec Facility License or, if renewed, that they will be renewed on the same or similar terms or that Health Canada will not revoke the License or the Québec Facility License. Should the Company fail to comply with the requirements of the License or the Québec Facility License or should Health Canada not renew the License or the Québec Facility License when required, or renew the License or the Québec Facility License on different terms or revoke the License or the Québec Facility License, there would be a material adverse effect on the Company's business, financial condition and results of operations.

Government licenses are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the business, financial condition and results of operations of the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On June 18, 2018, the Canadian Federal Government passed the Cannabis Act, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The Federal Government has announced that the Cannabis Act is intended to come into effect on October 17, 2018.

The proposed Cannabis Act is not yet in force. The Cannabis Act prohibits testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Company's business, financial condition and results of operation. The legislative framework pertaining to the Canadian adult-use cannabis market is also new. In addition, the governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operation.

U.S. border officials could deny entry into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance

prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Mexican Regulatory Risks

The joint venture relationship with LLACA will be dependent upon the Mexican Government enacting formal regulations for medicinal cannabis. There is no assurance that the proposed regulations will be enacted in a timely fashion. In addition, even if the necessary regulations are enacted there is no assurance that the Company's Mexican joint venture partner and its affiliates will be issued the necessary permits or licenses to import and sell medicinal cannabis in Mexico.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Shares	268,926,835
Warrants	69,903,832
Special underwriter's warrants	234,600
Compensation options	631,484
Stock options	12,797,932

See the Company's consolidated financial statements for a detailed description of these securities.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures under National Instrument 52-109 to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Chief Executive Officer and Chief Financial Officer have designed such disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the disclosures are being prepared to provide reasonable assurance that information required to be disclosed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Due to inherent limitations in control systems and procedures no matter how well conceived or operated, their evaluation can provide only reasonable, not absolute, assurance that such disclosure controls and procedures are operating effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

The CEO and CFO have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as at September 30, 2018.

CHANGES TO INTERNAL CONTROL OVER FINANCIAL REPORTING

Notwithstanding the above, management had previously identified and disclosed certain material weaknesses in financial reporting prior to the reporting period of March 31, 2018 which have subsequently been remediated. A material weakness is a deficiency, or a combination of deficiencies, in ICFR where there is a possibility that a material misstatement of the financial statements may not be prevented or detected on a timely basis.

Weaknesses identified and remediated

- IT General Controls – The Company's previous enterprise resource system ("ERP") did not have sufficient inherent controls in place to implement appropriate access controls related to user access and change management. This presented a risk for unauthorized or unintended manual journal entries within the system. In Q2-2018, the Company has completed a transition to a new cross-functional ERP system to appropriately segregate duties and provide an opportunity for management to appropriately review individual transactions, user access rights and change management protocols.
- Analysis and review of contracts –A central repository did not exist for all material contracts, including those related to property, plant and equipment and construction in progress, to be reviewed on a timely basis. The impact of this weakness is that management might not have had complete information which could impact the financial results of the Company. In Q2-2018, the Company implemented a contracts repository for all new material contracts and implemented a "sub-certification" process with the senior management team to capture relevant information and enable appropriate levels of review on a timely basis.

Furthermore, additional human resources, including designated accounting staff, have been hired to support the external reporting function at the Company. The Company has engaged third party resources to assist in a company-wide review of its control framework in accordance with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework") and is continuously improving its internal control function.