Ayr Strategies Inc.

(Formerly Cannabis Strategies Acquisition Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ayr Strategies Inc. (formerly Cannabis Strategies Acquisition Corp.) ("Ayr", the "Corporation", "we", "our" or "us") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and six months ended June 30, 2019. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements for the Corporation for the period ended December 31, 2018, and the related notes thereto, the audited financial statements of the Corporation as at September 30, 2018 and for the year ended September 30, 2018, and the related notes thereto, the unaudited condensed interim consolidated financial statements as at June 30, 2019 and for the three and six months ended June 30, 2019 (the "Interim Financial Statements"), and the related notes thereto, and the Business Acquisition Report filed on SEDAR on August 7, 2019. Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. As until it completed its qualifying transaction on May 24, 2019, the Corporation was a special purpose acquisition corporation or SPAC, the results presented for the three and six months ended June 30, 2019 will not be indicative of the results that may be expected for any future period. See "Timing Issues Related to the June Interim Financial Statements" below. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Further information about the Corporation and its operations can be obtained on **www.sedar.com**.

On May 24, 2019, the Corporation completed its qualifying transaction under Part X of the Neo Exchange Inc. Listing Manual (the "**Qualifying Transaction**") in respect of its concurrent acquisitions of five Acquired Businesses. The Corporation, through its wholly-owned subsidiary CSAC Acquisition Inc. ("**CSAC AcquisitionCo**"), acquired the businesses of Washoe Wellness, LLC ("**Washoe**"), The Canopy NV, LLC ("**Canopy**"), Sira Naturals, Inc. ("**Sira**"), LivFree Wellness, LLC ("**LivFree**") and CannaPunch of Nevada, LLC ("**CannaPunch**" and together with Washoe, Canopy, Sira and LivFree, the "**Acquired Businesses**"). The Acquired Businesses operate in the cultivation, manufacture, branding and/or retail, as applicable, of cannabis products in the Corporation's anchor states of Massachusetts and Nevada.

Cautionary Note Regarding Forward-Looking Information

Certain statements in this MD&A, are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, those statements relating to the Qualifying Transaction (defined below), information concerning the Acquired Businesses (defined above) and the parties and their financial capacity and availability of capital and other statements that are not historical facts. These statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including experience of the Corporation and each of the Acquired Businesses, as applicable, and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be reasonable in the circumstances. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and the Acquired Businesses. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "pro forma", "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "seeks", "likely" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the parties' control, could affect operations, business, financial condition, performance and results of the parties that may be expressed or implied by such forward-looking statements and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to the following:

- assumptions and expectations described in the Corporation's critical accounting policies and estimates;
- the adoption and impact of certain accounting pronouncements;
- the legislation, regulations and licensing related to the cultivation, production and sale of cannabis and hemp products by the Corporation's subsidiaries and other business interests;
- the number of users of cannabis or the size of the regulated cannabis market in the United States;
- the number of users of hemp or the size of the legal hemp market in the United States;
- the potential time frame for the implementation of legislation to legalize and regulate medical or recreational cannabis or hemp (and the consumer products derived from each of the foregoing) in the United States, and the potential form the legislation and regulations will take;
- the Corporation's future financial and operating performance;
- future performance, results and terms of strategic initiatives, strategic agreements and supply agreements;
- the success of the Target Businesses and any other businesses the Corporation acquires;
- the market for the Corporation's current and proposed products and services, as well as the Corporation's ability to capture market share;
- the benefits and applications of the Corporation's products and services and expected sales thereof;
- development of affiliated brands, product diversification and future corporate development;
- anticipated investment in and results of research and development;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- future expenditures, strategic investments and capital activities;
- statements about expected use of proceeds from fund raising activities;
- the competitive landscape in which the Corporation operates and the Corporation's market expertise; and

- the Corporation's ability to secure further equity or debt financing.

In making these statements, the parties have made assumptions with respect to expected cash provided by continuing operations, future capital expenditures, including the amount and nature thereof, trends and developments in the industry, business strategy and outlook, expansion and growth of business and operations, accounting policies, credit risks, anticipated acquisitions, opportunities available to or pursued by the parties, and other matters.

Definition and Reconciliation of Non-IFRS Measures

The Corporation reports certain non-IFRS measures that are used to evaluate the performance of such businesses and the performance of their respective segments, as well as to manage their capital structure. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure.

The Corporation references non-IFRS measures and cannabis industry metrics in this document and elsewhere. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these are provided as additional information to complement those IFRS measures by providing further understanding of the results of the operations of the Corporation from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Corporation's financial information reported under IFRS. Non-IFRS measures used to analyze the performance of the Acquired Businesses include "Adjusted EBITDA".

The Corporation believes that these non-IFRS financial measures provide meaningful supplemental information regarding the Corporation's performances and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. These financial measures are intended to provide investors with supplemental measures of the Corporation's operating performances and thus highlight trends in the Corporation's core businesses that may not otherwise be apparent when solely relying on the IFRS measures.

Adjusted EBITDA

"Adjusted EBITDA" represents income (loss) from operations, as reported, before interest, tax, and adjusted to exclude extraordinary items, non-recurring items, other non-cash items, including stock based compensation expense, depreciation, and the non-cash effects of accounting for biological assets and inventories, and further adjusted to remove acquisition related costs.

A reconciliation is provided elsewhere in this MD&A.

Description of Business

Ayr is a vertically-integrated multi-state operator in the U.S. cannabis sector, with an initial anchor portfolio in Massachusetts and Nevada. Through its five operating companies, Ayr is a leading cultivator, manufacturer and retailer of cannabis products and branded cannabis packaged goods. The Corporation was previously a special purpose acquisition corporation which was incorporated for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation, referred to as the Corporation's "qualifying transaction". The Corporation's business activities are carried out in a single business segment. It is a reporting issuer in each of the provinces and territories of Canada, other than Quebec.

On May 24, 2019, the Corporation completed its concurrent acquisitions of the Acquired Businesses, which collectively constituted its qualifying transaction (collectively, the "Qualifying Transaction"). In connection with the closing of the Qualifying Transaction, all non-redeemed Class A Restricted Voting Shares (as defined below) were automatically converted into subordinate voting shares of the Corporation (the "Subordinate Voting Shares"), and all Class B shares of the Corporation (the "Class B Shares") were automatically converted into multiple voting shares of the Corporation (the "Multiple Voting Shares"). Following the closing of the Qualifying Transaction the Subordinate Voting Shares, the Warrants and the Rights began trading on the Neo Exchange Inc. (the "Exchange") under the symbols "AYR.A", "AYR.WT" and "AYR.RT", respectively. The Multiple Voting Shares are not listed on the Exchange.

Each Multiple Voting Share has 25 votes per share, whereas each Subordinate Voting Share has one vote per share. The Multiple Voting Shares are convertible, at the discretion of the holders in accordance with their terms, into Subordinate Voting Shares on a one-for-one basis, and are subject to certain sunset provisions. Pursuant to such provisions, the Multiple Voting Shares are automatically convertible into Subordinate Voting Shares on a one-for-one basis, on the earlier of: (i) the date on which the aggregate number of Multiple Voting Shares has been reduced to less than 33 1/3% of those issued and outstanding on the first date of issuance thereof, and (ii) the date that is five years from the date of closing of the Qualifying Transaction.

As announced on June 28, 2019, Ayr announced that its sponsor, Mercer Park CB, L.P. ("Mercer Park"), agreed to contractually limit the voting rights attached to its Multiple Voting Shares in respect of the election of directors while retaining the right to vote its Multiple Voting Shares on all other matters. Specifically, subject to certain terms and conditions, Mercer Park agreed not to exercise any voting rights attached to its Multiple Voting Shares in respect of the election of directors during a specified term. The term will expire on the second anniversary, but is subject to early termination in various circumstances.

On December 31, 2018, the Corporation changed its financial year-end to December 31 to better synchronize its financial reporting with that of its proposed Acquired Businesses in connection with its proposed Qualifying Transaction. On May 24, 2019, in connection with its continuance into British Columbia, the Corporation changed its name from "Cannabis Strategies Acquisition Corp." to "Ayr Strategies Inc.". Further, after completing the Qualifying Transaction, the Corporation decided to change the presentation currency of its consolidated financial statements from Canadian dollar (CDN$) to the United States dollar (US$ or $) with effect from the financial period ended June 30, 2019. The Board of Directors believe that US dollar financial reporting provides more relevant presentation of the Corporation's financial position, funding and treasury functions, financial performance and its cash flows.

The Corporation was incorporated on July 31, 2017 under the *Business Corporations Act* (Ontario) and continued into British Columbia under the *Business Corporations Act* (British Columbia) in connection with its Qualifying Transaction and is domiciled in Canada. The registered office of the Corporation is located at 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8. The head office of the Corporation is located at 590 Madison Avenue, 26th Floor, New York, New York, 10022.

On December 21, 2017, the Corporation completed its initial public offering (the "Offering") of 12,500,000 Class A Restricted Voting units ("Class A Restricted Voting Units") at CDN$10.00 per Class A Restricted Voting Unit. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share ("Class A Restricted Voting Share"), one share purchase warrant (each, a "Warrant") and one right (each, a "Right").

In connection with the Offering, the Corporation granted the underwriter, Canaccord Genuity Corp. (the "Underwriter"), a 30-day non-transferable option (the "Over-Allotment Option") to purchase up to an additional 1,875,000 Class A Restricted Voting Units, at a price of CDN$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. On January 19, 2018, the Underwriter partially exercised its Over-Allotment Option to acquire an additional 975,000 Class A Restricted Voting Units, and as a result, an aggregate of 13,475,000

Class A Restricted Voting Units were acquired pursuant to the Offering (for aggregate proceeds of CDN$134,750,000).

Concurrent with the completion of the Offering, for total proceeds of CDN$25,000, Mercer Park CB, L.P. (the "Sponsor"), a limited partnership formed under the laws of the State of Delaware, indirectly controlled by Mercer Park, L.P., a privately-held family office based in New York, New York and Kamaldeep Thindal and Charles Miles (or persons or companies controlled by them) (collectively with the Sponsor, the "Founders") purchased an aggregate of 3,434,298 Class B Shares ("Founders' Shares"), consisting of 3,415,438 Class B Shares purchased by the Sponsor, 9,430 Class B Shares purchased by Kamaldeep Thindal, and 9,430 Class B Shares purchased by Charles Miles, including the forfeiture without compensation of an aggregate of 227,812 Founders' Shares by the Founders due to the partial exercise of the Over-Allotment Option). In addition, in connection with the Offering (and following the exercise of the Over-Allotment Option), the Sponsor purchased an aggregate of 262,188 Class B Units (the "Class B Units") at CDN$10.00 per Class B Unit and 2,621,870 Warrants ("Founders' Warrants") at CDN$1.00 per Founders' Warrant. Each Class B Unit consisted of one Class B Share, one Warrant and one Right. The Founders' Warrants are (except in certain circumstances in the event of early termination of the Warrants) subject to the same terms and conditions as the Warrants underlying the Class A Restricted Voting Units and Class B Units. The Rights underlying the Class B Units were subject to the same terms and conditions as the Rights underlying the Class A Restricted Voting Units.

On September 12, 2018, the Corporation incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Holdings Inc., to facilitate the proposed Qualifying Transaction. On September 17, 2018, CSAC Holdings Inc. incorporated a wholly owned subsidiary in Nevada, United States, named CSAC Acquisition Inc.

Following the closing of the Qualifying Transaction in May, 2019, each of the 13,474,000 non-redeemed Class A Restricted Voting Shares was automatically converted into one Subordinate Voting Share. Each Warrant is exercisable to purchase one Subordinate Voting Share and each Right represents the entitlement to automatically receive, for no additional consideration, one-tenth (1/10) of one Subordinate Voting Share. All Warrants will become exercisable at a price of CDN$11.50 per share, commencing 65 days after the completion of the Qualifying Transaction, and will expire on the day that is five years after the completion of a Qualifying Transaction (being May 24, 2024), or may expire earlier if the expiry date of the Warrants is accelerated.

Please refer to the Corporation's final non-offering prospectus dated February 15, 2019 and the Corporation's management information circular dated February 19, 2019 for further information on the Qualifying Transaction, including risk factors associated therewith.

Timing Issues Related to the June Interim Financial Statements

As noted above, the Qualifying Transaction closed on May 24, 2019. The accounting effect of the Qualifying Transaction was to give rise to the consolidation of the five acquired companies commencing on that date, the details of which can be found below. Accordingly, the Interim Financial Statements include 37 days of operating results of the companies acquired, from May 24 to June 30, 2019.

This gives rise to a number of abnormalities, including the following:

- Ayr was a special purpose acquisition corporation prior to consummation of the Qualifying Transaction and therefore, for the period between January 1, 2019 and May 24, 2019, there was no active operating business of Ayr and its subsidiaries, other than its operations in seeking to complete the Qualifying Transaction.

- Following the closing of the Qualifying Transaction, there are only 37 days of operating results in relation to the companies acquired in the Qualifying Transaction which, on the face of it, should not be considered representative of the operations of said companies.

Readers of the Interim Financial Statements and this MD&A are therefore cautioned about extrapolating the results for the period ended June 30, 2019 into annual expectations, both in terms of the abnormal impact to the financial statements of the Qualifying Transaction itself and the fact that there are only 37 days of operating results for the Acquired Businesses. Further details on these matters are contained below.

References herein to the three and six months ended June 30, 2019 therefore include the results of the Acquired Businesses only for the 37 days ended June 30, 2019.

Acquisition of Businesses

On May 24, 2019 (the "acquisition date"), the Corporation completed its concurrent acquisitions of the five Acquired Businesses. Any summary information of certain material terms from definitive agreements in respect of the acquisitions of Washoe, Canopy, Sira, LivFree, and CannaPunch (respectively, the "Washoe Agreement", the "Canopy Agreement", the "Sira Agreement", the "LivFree Agreement", and the "CannaPunch Agreement", collectively the "Definitive Agreements") are not exhaustive and are qualified in its entirety by reference to the terms of the Definitive Agreements, which may be found on Ayr's profile on SEDAR at www.sedar.com.

Each of the acquisitions are subject to specific terms relating to the satisfaction of the purchase price by the Corporation and its wholly-owned subsidiary, CSAC AcquisitionCo, and incorporates payments in cash, shares and debt as well as certain contingent consideration. The shares issued as consideration are non-voting exchangeable common shares of CSAC AcquisitionCo ("Exchangeable Shares") that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares.

The details of the purchase price consideration are summarized as follows:

	Cash	Debt Payable	Shares Issued	Other	Total
	$	$	$	$	$
Total Consideration	**76,420,000**	**37,140,000**	**125,627,403**	**29,536,149**	**268,723,552**

The purchase consideration consists of cash, debt, Exchangeable Shares, and other consideration. The other consideration includes a contingent cash payment based on certain milestones being met as detailed in the Sira Agreement, a payment for excess inventory as outlined in the Sira Agreement, and make-whole provisions as outlined in each of the Canopy Agreement and the Washoe Agreement.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

US$	Livfree $	Sira $	Cannapunch $	Washoe $	Canopy $	Total $
ASSETS ACQUIRED						
Cash and cash equivalents	1,258,928	270,280	7,233	21,458	147,930	**1,705,828**
Accounts receivable	-	600,151	568,536	87,617	-	**1,256,304**
Inventory	2,219,149	8,827,851	422,148	3,579,291	1,198,117	**16,246,556**
Biological assets	-	1,112,726	-	1,763,516	-	**2,876,242**
Prepaid expenses and other assets	96,157	340,428	-	129,478	160,748	**726,810**
Intangible assets	107,000,000	59,000,000	2,320,000	20,600,000	10,400,000	**199,320,000**
Property, plant and equipment	1,717,712	8,473,534	480,599	8,918,006	1,206,585	**20,796,435**
Right-of-use assets	2,598,532	5,695,449	623,947	-	1,967,525	**10,885,453**
Due from related parties	-	-	-	1,020,761	1,805,495	**2,826,255**
Deposits	90,147	149,251	-	91,574	9,983	**340,955**
Investment in associates	3,610,628	-	-	-	-	**3,610,628**
Total assets acquired at fair value	**118,591,251**	**84,469,670**	**4,422,464**	**36,211,700**	**16,896,382**	**260,591,467**
LIABILITIES ASSUMED						
Trade payables	387,500	475,193	251,829	506,073	-	**1,620,595**
Accrued liabilities	1,176,088	970,418	46,972	100,412	520,454	**2,814,344**
Income tax payable	-	4,468,667	-	-	-	**4,468,667**
Deferred tax liabilities	25,566,857	16,104,180	545,588	1,728,940	2,729,490	**46,675,055**
Advance from related parties	187,809	-	-	1,805,495	1,020,761	**3,014,064**
Lease obligations	2,224,892	5,623,733	587,310	-	2,451,923	**10,887,858**
Debts payable	120,000	13,053	-	9,171,064	421,128	**9,725,245**
Total liabilities assumed at fair value	**29,663,146**	**27,655,245**	**1,431,699**	**13,311,983**	**7,143,755**	**79,205,829**
Goodwill	34,057,701	22,267,763	14,155,426	10,248,928	6,608,094	**87,337,913**
Total Purchase Price	**122,985,806**	**79,082,188**	**17,146,191**	**33,148,644**	**16,360,722**	**268,723,552**

The goodwill recognized on acquisition is attributable mainly to the expected future growth potential and expanded customer base arising as a result of completion of qualifying transaction as explained in Note 1 to the Interim Financial Statements. Goodwill has been allocated to the Cash Generating Units ("CGU or CGU's") corresponding to each of the acquired businesses. None of the goodwill is expected to be deductible for income tax purposes.

During the three and six months ended June 30, 2019, the Corporation incurred acquisition costs of $2,462,076 and $3,113,102, respectively.

Sira Acquisition

Sira is a vertically-integrated cannabis company with cultivation, extraction, production, manufacturing, distribution and retail dispensary operations in Massachusetts. Sira operates three medical dispensaries, which is the maximum number allowed to a single operator under Massachusetts State law, where it sells products supplied by its integrated cultivation and productions operations to medical marijuana patients.

Purchase consideration was comprised of the following:

		Shares		Value
Cash	i		$	**17,500,000**
Debt Payable	ii			**5,000,000**
Shares Issued	iii	**1,885,606**		**29,165,138**
Contingent Consideration	iv			**21,820,132**
Inventory Payment	v			**6,091,357**
Working Capital Receivable	vi			**(494,439)**
Total		**1,885,606**		**79,082,188**

Pursuant to the terms of the Sira Agreement, Ayr satisfied the purchase price of $79.1 million for Sira through the following:

i. $17.5 million of the Sira purchase price was paid in the form of cash consideration;

ii. $5.0 million of the Sira purchase price was paid in the form of a promissory note payable;

iii. $29.2 million of the Sira purchase price was paid in the form of 1,885,606 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares. These shares have restrictions on their ability to be sold for twelve months (the "Lock-Up Provision");

iv. The Sira Agreement also contains an earn-out provision that may entitle the sellers to earn additional consideration, if certain milestones are achieved at Sira's planned final cultivation facility in Milford, MA over its first full year of operation, which is expected to be 2021;

v. An amount equal to the fair market value of Sira's inventory above a target level set at $800,000 (the "Inventory Payment"), pursuant to a formula specified in the Sira Agreement; and

vi. Settlement following the final working capital adjustment (the value included is an estimate).

One-third of the Inventory Payment, subject to a cap of $2,500,000, was paid on the Closing Date, and is included in the cash consideration listed above. The remaining two-thirds will be paid within 120 days following the Closing Date.

Canopy Acquisition

Canopy is an owner and operator of cannabis dispensaries in Nevada, with an established footprint in Reno, NV. Canopy operates its dispensaries in both the medical and adult-use recreational markets under the Mynt Cannabis dispensary brand.

Purchase consideration was comprised of the following:

		Shares		Value
Cash	i		$	**7,000,000**
Debt Payable	ii			**4,500,000**
Shares Issued	iii, iv	**265,360**		**4,554,927**
Make-Whole Provision	v			**568,303**
Working Capital Receivable	vi			**(262,509)**
Total		**265,360**		**16,360,722**

Pursuant to the terms of the Canopy Agreement, Ayr satisfied the purchase price of $16.4 million for Canopy through the following:

i. $7.0 million of the Canopy purchase price was paid in the form of cash consideration;

ii. $4.5 million of the Canopy purchase price was paid in the form of a promissory note payable;

iii. $4.6 million of the Canopy purchase price was paid in the form of 250,000 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares. These shares have restrictions on their ability to be sold for six to twelve months (the "Lock-Up Provision");

iv. An additional 15,360 Exchangeable Shares were issued to Canopy pursuant to certain make-whole provisions (the "Canopy Make-Whole Provisions");

v. Additional Exchangeable Shares are also issuable to the Canopy sellers under the Canopy Make-Whole Provisions based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates; and

vi. Settlement following the final working capital adjustment (the value included is an estimate).

Washoe Acquisition

Washoe is a Nevada-based cannabis company with cultivation, extraction, processing, manufacturing and distribution capabilities. Washoe operates in both the medical and adult-use segments of the Nevada cannabis market

Purchase consideration was comprised of the following:

		Shares	Value
Cash	i		$ **21,670,000**
Debt Payable	ii		**5,640,000**
Shares Issued	iii, iv	**270,000**	**4,260,775**
Make-Whole Provision	v		**712,268**
Working Capital Payable	vi		**865,601**
Total		**270,000**	**33,148,644**

Pursuant to the terms of the Washoe Agreement, Ayr satisfied the purchase price of $33.1 million for Washoe through the following:

i. $21.7 million of the Washoe purchase price was paid in the form of cash consideration;

ii. $5.6 million of the Washoe purchase price was paid in the form of a promissory note payable;

iii. $4.3 million of the Washoe purchase price was paid in the form of 256,364 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares. These shares have restrictions on their ability to be sold for six to twelve months (the "Lock-Up Provision");

iv. Pursuant to the terms of the Washoe Agreement, Ayr issued 13,636 Exchangeable Shares to a Washoe lender;

v. Additional Exchangeable Shares are also issuable to the Washoe sellers pursuant to certain make-whole

provisions (the "Washoe Make-Whole Provisions") in the Washoe Agreement based on a formula specified therein relating to the market price of the Subordinate Voting Shares on certain specified dates; and

vi. Settlement following the final working capital adjustment (the value included is an estimate).

In addition, CSAC AcquisitionCo agreed to fund a bonus payment in the amount of $5,000,000 to various employees and consultants of Washoe; this amount is included in the cash consideration above.

LivFree Acquisition

LivFree is a leading Nevada-based cannabis company with retail dispensary operations in Las Vegas and Reno, Nevada. LivFree operates in both the medical and adult-use segments of the Nevada cannabis market. LivFree operates three retail dispensaries where it sells products purchased in the wholesale market. Livfree has licenses to operate medical marijuana dispensary, cultivation, and production facilities, and adult-use/recreational marijuana retail dispensary and production facilities.

Purchase consideration was comprised of the following:

		Shares		Value
Cash	i		$	**29,500,000**
Debt Payable	ii			**20,000,000**
Shares Issued	iii, iv	**4,664,182**		**73,525,577**
Working Capital Receivable	v			**(39,770)**
Total		**4,664,182**		**122,985,806**

Pursuant to the terms of the LivFree Agreement, Ayr satisfied the purchase price of $123.0 million for LivFree through the following:

i. $29.5 million of the LivFree purchase price was paid in the form of cash consideration;

ii. $20.0 million of the LivFree purchase price was paid in the form of a promissory note payable;

iii. $69.1 million of the LivFree purchase price was paid in the form of 4,342,432 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares. These shares have restrictions on their ability to be sold for six to twelve months (the "Lock-Up Provision");

iv. $4.4 million of the LivFree purchase price was paid, pursuant to an amendment to the definitive agreement in respect of the LivFree Acquisition dated as at the Closing Date, in the form of an additional 321,750 Exchangeable Shares to the LivFree sellers; and

v. Settlement following the final working capital adjustment (the value included is an estimate).

CannaPunch Acquisition

CannaPunch extracts raw cannabis plant material to create processed cannabis oil for use in vaporizer cartridges and pens or as an input into other infused products, as well as finished extract products such as wax and shatter. CannaPunch manufactures a variety of cannabis-infused products, including beverages, gummies, chocolates, CBD cream, and vaporizer pens. CannaPunch branded cannabis consumer goods are produced in a manufacturing facility in Nevada and sold into the wholesale market, with a presence in 65 dispensaries as of late 2018.

Purchase consideration was comprised of the following:

		Shares		Value
Cash	i		$	**750,000**
Debt Payable	ii			**2,000,000**
Shares Issued	iii, iv	**898,759**		**14,120,986**
Working Capital Payable	v			**275,205**
Total		**898,759**		**17,146,191**

Pursuant to the terms of the CannaPunch Agreement, Ayr satisfied the purchase price of $17.1 million for CannaPunch through the following:

i. $0.8 million of the CannaPunch purchase price was paid in the form of cash consideration;

ii. $2.0 million of the CannaPunch purchase price was paid in the form of a promissory note payable;

iii. $13.7 million of the CannaPunch purchase price was paid in the form of 866,668 Exchangeable Shares that are exchangeable on a one-for-one basis into an equal number of Subordinate Voting Shares. These shares have restrictions on their ability to be sold for six to twelve months (the "Lock-Up Provision");

iv. $0.4 million of the CannaPunch purchase price was paid, pursuant to an amendment to the definitive agreement in respect of the CannaPunch acquisition dated June 7, 2019, in the form of an additional 32,071 Exchangeable Shares to the CannaPunch sellers; and

v. Settlement following the final working capital adjustment (the value included is an estimate).

Fair Value Considerations

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The purchases have been accounted for by the acquisition method, with the results included in the Corporation's net earnings from the date of acquisition.

The consideration that is subject to a Lock-Up Provision or that is payable under a Make-Whole provision is measured at fair value based on unobservable inputs and is considered a Level 3 measurement. The fair value was determined by the Corporation's share price at the acquisition date and other inputs based on other observable market data.

The earn-out provision in the Sira purchase agreement has been measured at fair value by taking a probability-weighted average of possible outcomes, as estimated by management, and discounting the payment to the acquisition date.

Final valuations of the assets acquired and liabilities assumed are not yet complete due to the inherent complexity associated with valuations and the short period of time between the acquisition date and the period end. Therefore, the purchase price allocation is preliminary and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisitions no later than one year from the date of the respective acquisition dates as required under IFRS 3. Accordingly, all fair value adjustments are in progress. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on future financial performance.

Goodwill and Intangibles

The goodwill balance reflects the benefits of assembled workforce, expected earnings and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

Pro Forma Disclosures

The above acquisitions contributed revenues of $10.8 million and net income of $0.6 million, resulting in a decrease in the net loss per share of approximately $0.04 as part of the Corporation's consolidated results from their dates of acquisition, excluding the impact of fair value adjustments and any amortization of intangibles assumed on acquisition. If each acquisition had occurred on January 1, 2019, management estimates that consolidated revenue would have increased by $47.4 million, and the net loss would have decreased $8.2 million for the six months ended June 30, 2019, which would have resulted in a decrease in the net loss per share of approximately $0.99. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on January 1, 2019.

Outlook

In connection with the Qualifying Transaction, the Corporation released certain forward-looking financial projections or targets for the years ended Dec. 31, 2018 and 2019. Those projections or targets were updated and discussed on July 12, 2019 and reaffirmed in a news release issued by the Corporation (and filed on SEDAR) on August 14, 2019, prior to the filing of this MD&A. That news release, which contains certain forward-looking financial projections or targets for the years ended Dec. 31, 2019 and 2020, is available at www.sedar.com under the Corporation's profile.

As described in the news release, the original targets of CDN$95-105 million in pro forma revenue and CDN$30-35 million in pro forma Adjusted EBITDA for the year ended Dec. 31, 2018, and the original targets of CDN$240-260 million in pro forma revenue and CDN$130-140 million in pro forma Adjusted EBITDA for the year ended Dec. 31, 2019, have, because of delays in closing the Qualifying Transaction and in the introduction of recreational cannabis in Massachusetts, been updated to CDN$150-170 million ($110-130 million) in pro forma revenue and CDN$40-50 million ($30-40 million) in pro forma Adjusted EBITDA for the year ended Dec. 31, 2019 and to CDN$305-325 million ($225-245 million) in pro forma revenue and CDN$140-150 million ($105-115 million) in pro forma Adjusted EBITDA for the year ended Dec. 31, 2020.

Adjusted EBITDA Reconciliation for the Three and Six Months Ended June 30, 2019

	Three Months ended June 30,		Six Months ended June 30,	
	2019	**2018**	**2019**	**2018**
Loss from operations	(8,147,652)	(138,374)	(9,688,740)	(297,000)
Non-cash items accounting for biological assets and inventories				
Fair value changes in biological assets	4,696,472	-	4,696,472	-
Unrealized gain on changes in fair value of biological assets	(2,479,803)	-	(2,479,803)	-
	2,216,669	-	2,216,669	-
Interest	-	-	-	-
Depreciation and amortization	1,645,222	-	1,645,222	-
Acquisition costs	2,462,076	-	3,113,102	-
Stock-based compensation expense	4,520,138	-	4,520,138	-
Other[1]	312,801	-	312,801	-
	8,940,237	-	9,591,263	-
Adjusted EBITDA	**3,009,254**	**(138,374)**	**2,119,192**	**(297,000)**

Notes:
[1] Other adjustments made to exclude the impact of non-recurring items.

Review of the Financial Results for the Three and Six Months Ended June 30, 2019

Selected Financial Information

($ in millions)	Three Months ended June 30,		Six Months ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues, net of discounts	10.8	-	10.8	-
Cost of goods sold before biological asset adjustment	(4.9)	-	(4.9)	-
Gross profit before biological asset adjustment	5.9	-	5.9	-
Fair value changes in biological assets included in cost of sales	(4.7)	-	(4.7)	-
Unrealized gain on biological asset transformation	2.5	-	2.5	-
Gross profit	3.7	-	3.7	-
Total expenses	(11.8)	(0.1)	(13.4)	(0.3)
Loss from operations	(8.1)	(0.1)	(9.7)	(0.3)
Total other expenses	(29.9)	(5.4)	(165.4)	(5.2)
Loss before income tax	(38.0)	(5.6)	(175.1)	(5.5)
Provision for income taxes	(0.5)	-	(0.5)	-
Net loss	(38.5)	(5.6)	(175.6)	(5.5)
Foreign currency translation adjustment	1.0	0.3	1.8	0.4
Net loss and comprehensive loss	(37.5)	(5.3)	(173.8)	(5.1)

Revenue

Revenue for the three months ended June 30, 2019 was $10.8 million, an increase of $10.8 million from the three months ended June 30, 2018, where there was no revenue generated. This increase was due to the closing of the Qualifying Transaction.

Revenue for the six months ended June 30, 2019 was $10.8 million, an increase of $10.8 million from the six months ended June 30, 2018, where there was no revenue generated. This increase was due to the closing of the Qualifying Transaction.

Cost of Goods Sold & Biological Assets

Cost of goods sold are derived from cost related to the internal cultivation and production of cannabis. Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the three months ended June 30, 2019 was $4.9 million, an increase of $4.9 million from the three months ended June 30, 2018, a period when the company had no meaningful operations. This change was driven by closing of the Qualifying Transaction. Cost of goods sold as a percentage of revenue was 45.5% for the three months ended June 30, 2019 and the three months ended June 30, 2018 had no comparable operating results.

Cost of goods sold, excluding any adjustments to the fair value of biological assets, for the six months ended June 30, 2019 was $4.9 million, an increase of $4.9 million from the six months ended June 30, 2018, a period when the company had no meaningful operations. This change was driven by closing of the Qualifying Transaction. Cost of goods sold as a percentage of revenue was 45.5% for the six months ended June 30, 2019 and the six months ended June 30, 2018 had no comparable operating results.

Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis.

When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Gross Profit

Gross profit after net gains on biological asset transformation for the three months ended June 30, 2019 was $3.7 million, an increase of $3.7 million from three months ended June 30, 2018, a period when the company had no meaningful operations. This change was driven by closing of the Qualifying Transaction.

Gross profit after net gains on biological asset transformation for the six months ended June 30, 2019 was $3.7 million, an increase of $3.7 million from six months ended June 30, 2018, a period when the company had no meaningful operations. This change was driven by closing of the Qualifying Transaction.

Total Expenses

Total expenses for the three months ended June 30, 2019 was $11.8 million, an increase of $11.7 million from $0.1 million for the three months ended June 30, 2018. This change was driven by closing of the Qualifying Transaction.

The increase in total expenses was primarily attributable to the inclusion of 37 days of operating expenses for the three

months ended June 30, 2019 with the most significant contribution being stock-based compensation of $4.5 million, acquisition expense of $2.5 million, and general and administrative expenses of $3.1 million as compared to general and administrative expenses of $0.1 million, with no other expenses comprising total expenses, for the three months ended June 30, 2018.

Total expenses for the six months ended June 30, 2019 was $13.4 million, an increase of $13.1 million from $0.3 million for the six months ended June 30, 2018. This change was driven by closing of the Qualifying Transaction.

The increase in total expenses was primarily attributable to the inclusion of 37 days of operating expenses for the six months ended June 30, 2019 with the most significant contribution being stock-based compensation of $4.5 million, acquisition expense of $2.5 million, and general and administrative expenses of $3.1 million as compared to general and administrative expenses of $0.3 million, with no other expenses comprising total expenses, for the six months ended June 30, 2018.

Total Other Expenses

Total other expenses for the three months ended June 30, 2019 was $29.9 million, an increase of $24.5 million from $5.4 million for the three months ended June 30, 2018. This change was primarily driven by the changes in fair value of financial liabilities relating to the period before the Qualifying Transaction.

Total other expenses for the six months ended June 30, 2019 was $165.4 million, an increase of $160.2 million from $5.2 million for the six months ended June 30, 2018. This change was primarily driven by the changes in fair value of financial liabilities relating to the period before the Qualifying Transaction.

Income Tax

Income tax expense is recognized based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end. For three months ended June 30, 2019, income tax expense was $0.5 million as compared to $0.0 million for the three months ended June 30, 2018.

Income tax expense for the six months ended June 30, 2019 was $0.5 million as compared to $0.0 million for the six months ended June 30, 2018.

Net Loss

Net loss for the three months ended June 30, 2019 was $(38.5) million as compared to $(5.6) million for the three months ended June 30, 2018. The increase in net loss was primarily driven by the factors described above, specifically the changes in fair value of financial liabilities relating to the period before the Qualifying Transaction.

Net loss for the six months ended June 30, 2019 was $(175.6) million as compared to $(5.5) million for the six months ended June 30, 2018. The increase in net loss was primarily driven by the factors described above, specifically the changes in fair value of financial liabilities relating to the period before the Qualifying Transaction.

Liquidity and Capital Resources as at June 30, 2019

Selected Liquidity and Capital Resource Information

($ in millions)	June 30, 2019	December 31, 2018
Cash and cash equivalents	17.9	0.1
Total current assets	40.3	0.4
Total assets	361.4	100.1
Total current liabilities	28.3	3.0
Total long-term liabilities	204.5	173.1
Total shareholders' equity	128.6	(76.1)

As at June 30, 2019, the Corporation had total current liabilities of $28.3 million and cash and cash equivalents of $17.9 million compared to December 31, 2018 which had current liabilities of $3.0 million and cash and cash equivalents of $0.1 million to meet its current obligations.

The Corporation, post the Qualifying Transaction, is in a period of high growth and participates in the cannabis market which is in its early stages. The Corporation is generating cash from sales and deploying its capital reserves to develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are expected to be used for capital expenditures and improvements to existing facilities, improvements to operations, as well as marketing and product development.

Selected Cash Flow Information

	Six Months ended June 30,	
($ in millions)	2019	2018
Net cash used in operating activities	(4.6)	(0.5)
Net cash provided by (used in) investing activities	21.7	(2.7)
Net cash (used in) provided by financing activities	(0.6)	2.6
Net increase (decrease) in cash and cash equivalents	16.6	(0.5)
Effect of foreign currency translation	1.3	0.0
Cash and cash equivalents, beginning of period	0.1	1.4
Cash and cash equivalents, end of period	17.9	0.9

Operating Activities

Net cash used in operating activities was $(4.6) million for the six months ended June 30, 2019, compared to the $(0.5) million net cash used in operating activities for the six months ended June 30, 2018. The increase in net cash used in operating activities was primarily related to transaction and acquisition expenses related to the Qualifying Transaction.

Investing Activities

Net cash provided by investing activities was $21.7 million for the six months ended June 30, 2019, an increase of $24.4 million compared to the $(2.7) million net cash used in investing activities for the six months ended June 30, 2018. The increase was due to the closing of the Qualifying Transaction and the resulting release of the restricted cash held in

escrow netted against the cash consideration paid for the Acquired Businesses.

Financing Activities

Net cash used in financing activities was $(0.6) million for the six months ended June 30, 2019, compared to $2.6 million net cash provided by financing activities for the six months ended June 30, 2018. The net use of cash from financing activities was primarily due to the $0.5 million used to pay down debts payable.

Capital Management

The Corporation's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, managing healthy liquidity reserves and access to capital.

In the process of managing the Corporation's capital, management includes shareholders equity (deficiency) plus the Class A Restricted Voting Shares and Warrants in the definition of capital.

The Corporation manages its capital structure and makes adjustments to it, based on the funds available to the Corporation, in order to support business development. The Directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Corporation's management to sustain future development of the business. In order to carry out the planned business development and pay for administrative costs, the Corporation will spend its existing working capital and seek to raise additional amounts as needed. There were no changes in the Corporation's approach to capital management during the three and six months ended June 30, 2019. The Corporation is not subject to externally imposed capital requirements apart from the need to maintain its listing in accordance with stock exchange requirements.

The Corporation raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable. The Corporation plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. However, the Corporation may attempt to issue new shares or issue new debt for acquisitions. There can be no assurance that the Corporation will be able to continue raising capital in this manner.

The Corporation invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments.

Share Capital

As at June 30, 2019 and December 31, 2018 the Corporation had share capital of $375.7 million and $1.8 million, respectively. The share capital as at June 30, 2019 was comprised of $1.7 million from the Multiple Voting Shares and $374.0 million from the Subordinate Voting Shares while the share capital as at December 31, 2017 was comprised of $1.8 million from the Class B Shares. The Class A Restricted Voting Share shares were redeemable, and thus recorded as a liability, until the Qualifying Transaction when they converted into the Subordinate Voting Shares and thus became part of the Share Capital.

Capital

The Corporation defines the capital that it manages as its shareholders equity (deficiency) plus the Class A Restricted Voting Shares and Warrants. The following table summarizes the carrying value of the Corporation's capital as at June 30, 2019 and December 31, 2018:

($ in millions)	June 30, 2019	December 31, 2018
Shareholders Equity / (Deficiency)	128.6	(76.1)
Class A Restricted Voting Shares	-	145.7
Warrant Liability	85.8	24.0
Total Capital	**214.4**	**93.6**

Liquidity

As at June 30, 2019, the Corporation had cash and cash equivalents of $17.9 million compared to December 31, 2018 which it had cash and cash equivalents of $0.9 million.

Summary of Future Commitments

Year	Leases	Debt	**Total**
2019	893,184	2,328,137	3,221,321
2020	1,817,872	6,631,440	8,449,312
2021	1,857,169	7,480,631	9,337,800
2022	1,895,368	5,762,108	7,657,476
2023	1,832,074	1,511,532	3,343,606
2024	1,700,062	22,611,818	24,311,880
Thereafter	10,338,463	-	10,338,463
Total Commitments	20,334,192	46,325,666	66,659,858

Off-Balance Sheet Arrangements

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

Proposed Transactions

N/A

Related Party Transactions

Related parties are defined as management and members of the Corporation and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the Interim Financial Statements, related party transactions and balances are as follows:

During the period ended June 30, 2019, purchases of harvested cannabis totaling $182,401 from a related party is included

in cost of goods sold.

Included in expenses for the period ended June 30, 2019, is a management fee of $35,704 charged by a related corporation under a management agreement with Mercer Park L.P. The management fee was paid monthly and varied based on actual costs incurred by the related corporation when providing the Corporation administrative, support, and management services. The management agreement was a month-to-month arrangement. As at June 30, 2019, there was unpaid services of $59,877 included in trade payables.

Included in expenses for the period ended June 30, 2019, is rental expense of $53,249 charged by a related corporation under a rental agreement. The rental expense was paid monthly and is currently operating on month-to-month terms.

The Corporation had entered into an administrative services agreement with the Sponsor for an initial term of 18 months, subject to possible extension, for office space, utilities and administrative support, which may include payment for services of related parties, for, but not limited to, various administrative, managerial or operational services or to help effect a Qualifying Transaction. The Corporation had agreed to pay $10,000 per month, plus applicable taxes for such services. As at June 30, 2019, the Corporation satisfied $127,338, in respect of these services and $89,644 was owed at December 31, 2018. The service agreement was terminated on May 24, 2019, the date the Qualifying Transaction was completed.

Mercer Park, L.P. manages the business affairs of the Corporation by providing consulting and management advisory services to a subsidiary of the Corporation pursuant to a Management Agreement dated May 24, 2019. As at June 30, 2019, $1,492,067 was included in prepaid expenses as an advance for these services.

As at June 30, 2019 and December 31, 2018, the amount payable to the Corporation's Chief Executive Officer was $nil and $446,642, respectively for out-of-pocket expenses paid on behalf of the Corporation with respect to the Qualifying Transaction. The amounts due to the Sponsor and the Corporation's Chief Executive Officer were unsecured, non-interest bearing and are payable no earlier than the date of the consummation of a Qualifying Transaction, with no recourse against the funds held in the Escrow Account. Due to the short-term nature of this arrangement, the fair value of the amounts due to related parties approximates their carrying amount.

During the three and six months ended June 30, 2019, the Corporation incurred professional fees of $6,460 and $12,966, respectively (three and six months ended June 30, 2018 - $6,696 and $15,863, respectively) to Marrelli Support Services Inc. ("Marrelli Support"), an organization of which the Corporation's former Chief Financial Officer, is President. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at June 30, 2019 and December 31, 2018, Marrelli Support was owed $4,307 and $4,370, respectively. These amounts are included in trade payables and accrued liabilities on the Corporation's consolidated statements of financial position.

The Corporation issued notes to various related parties including directors, officers, and shareholders and the balance as at June 30, 2019 was $43,331,923. Additional related party disclosures can be found in Note 14 to the Interim Financial Statements.

Selected Quarterly Information

A summary of selected information for each of the quarters presented below is as follows:

		Net Loss	
Three Months Ended	**Net Revenues**	**Total**	**Loss per Share**[1]
June 30, 2019	10,823,206	(38,511,790)[2]	(2.34)
March 31, 2019	-	(137,078,730)[3]	(37.08)
December 31, 2018	-	(44,633,822)[3]	(12.07)
September 30, 2018	-	(25,023,045)[3]	(6.77)
June 30, 2018	-	(5,567,083)[3]	(1.51)
March 31, 2018	-	135,170[3]	0.04
December 31, 2017	-	(6,274,404)[3]	(8.91)
July 31, 2017 to September 30, 2017	-	-	-

Notes:

[1] Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

[2] Net Loss for the three months ended June 30, 2019 was primarily due to fair value changes in financial liabilities.

[3] Prior to the Qualifying Transaction Ayr was a special purpose acquisition corporation. Issues of seasonality have not had an impact on the results or operations while a special purpose acquisition corporation. From July 31, 2017 to March 31, 2019, variations in the quarterly net income (loss) were caused by fluctuations in the net unrealized gain (loss) on changes in the fair value of financial liabilities, transaction costs and general and administrative expense. Fluctuations in the net unrealized gain (loss) on changes in the fair value of financial liabilities has varied from quarter-to-quarter due primarily to changes in the fair value of the Company's Class A Restricted Voting Shares and Warrants.

Accounting Policies and Critical Accounting Estimates

The application of the Corporation's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, income (loss), assets and liabilities recognized, and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its June 30, 2019 Interim Financial Statements.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value.

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Valuation, estimated life and impairment of intangible assets and goodwill

Management used significant judgment in valuing the fair value of intangible assets and goodwill, estimating the useful lives and impairment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The Corporation uses judgment in determining the grouping of assets by identifying CGU's for purposes of testing for impairment of goodwill and intangible assets. The Corporation's estimate of a CGU's or group of CGU's recoverable amount based on value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results and budgets calculated by discounting the final year in perpetuity.

Stock-based compensation

The fair value of stock-based compensation expenses are estimated using an option pricing model and rely on a number of estimates, such as expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeitures of options granted.

Business combination

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the allocation of purchase price in a business combination including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The Corporation measures all assets acquired and liabilities assumed at their acquisition date fair values.

Income taxes

In assessing the probability of realizing income tax assets, management make estimates related to the expectation of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary difference and the likelihood the tax positions taken will be sustained upon examination by applicable tax authorities.

Risk Factors

Please refer to the Corporation's final non-offering prospectus dated February 15, 2019 for information on the risk factors to which the Corporation is subject. In addition, see "Cautionary Note Regarding Forward-Looking Information" above.

Financial Instruments, Financial Risk Management and Other Instruments

The Corporation does not utilize financial instruments such as derivatives to manage financial risks. The Corporation's financial instruments consist of cash and cash equivalents, deposits, restricted cash, short term investments, warrant liability, and make-whole provision and contingent consideration issued included as purchase considerations relating to business combinations. These financial instruments are measured at fair value or are short term in nature where fair value approximates their carrying value (see Note 22 to the Interim Financial Statements).

The Corporation is exposed to credit risk, liquidity risk and interest rate risk. The Corporation's management oversees the management of these risks. The Corporation`s management is supported by the members that advises on financial risks and the appropriate financial risk governance framework for the Corporation. The Corporation's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Corporation policies and Corporation risk appetite.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Corporation uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data are with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the unaudited condensed interim financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The hierarchy used to fair value the financial instruments as at June 30, 2019 and December 31, 2018 were as follows:

- Level 1: Cash and cash equivalents, deposits, restricted cash, short term investments and warrant liability
- Level 2: None
- Level 3: Make-whole provision and contingent consideration issued included as purchase considerations relating to business combinations

Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Corporation to concentrations of credit risk consist of cash and cash equivalents, deposits and accounts receivable. To address its credit risk arising from cash and cash equivalents and deposits, the Corporation ensures to keep these balances with financial institutions of high repute. The Corporation has not recorded an expected credit loss as all amounts are considered to be recoverable and are immaterial.

The Corporation is not significantly exposed to its accounts receivable due to its diversified customer base and a stringent collection policy. As at June 30, 2019 and December 31, 2018 the maximum amount exposed to credit risks was $18,616,861 and $384,838, respectively.

Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation manages liquidity risk through obtaining financing from its members and third parties. As at June 30, 2019, all trade payables and accrued liabilities are due within a year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk on its cash and cash equivalents, deposit and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Corporation's debts have fixed rates of interest. The Corporation does not use any derivative instruments to hedge against interest rate risk and believes that the change in interest rates will not have a significant impact on its financial results.

Currency Risk

The operating results and financial position of the Corporation are reported in United States dollars. As the Corporation operates in an international environment, some of the Corporation's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Corporation's operations are subject to currency transaction and translation risks.

At June 30, 2019, the Corporation had no hedging agreements in place with respect to foreign exchange rates. The Corporation has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Corporation believes that the change in exchange rates will not have a significant impact on financial results.