# VIRIDIUM PACIFIC GROUP LTD.

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

**FOR THE THREE MONTH PERIODS ENDED FEBRUARY 28, 2018 AND 2017**

**(Unaudited)**

**(IN CANADIAN DOLLARS)**

**APRIL 30, 2018**

**Viridium Pacific Group Ltd.** is a publicly traded corporation, incorporated in Canada, with its registered office located at 3200- 650 Georgia Street, Vancouver, British Columbia and its production facility at 12556 Stave Lake Road, Mission, British Columbia. The common shares are listed on the TSX-V, under the trading symbol "VIR".

This Management's Discussion and Analysis of the Financial Condition and Results of Operations ("MD&A") is dated APRIL 30, 2018. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Financial Statements") for the three month period ended February 28, 2018, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. We prepared this MD&A with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A provides information for the three month period ended February 28, 2018 and up to and including April 30, 2018.

The Unaudited Condensed Interim Consolidated Financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The accompanying Unaudited Condensed Interim Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and include the accounts of the Company and its wholly-owned subsidiaries (together referred to as the "Company") Experion Biotechnologies Inc. ("Experion"), Fish Trap Ventures Ltd. ("Fish Trap") and Stave Lake Services Ltd. ("Stave Lake"). detailed in Note 1 to the Consolidated Financial Statements. All inter-company balances and transactions have been eliminated on consolidation.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A contains certain "forward-looking statements" and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

- assumptions and expectations described in the Company's critical accounting policies and estimates;
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements;
- the Company's expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company's wholly-owned subsidiaries;
- to enter and participate in international market opportunities;
- the Company's expectations with respect to the company's future financial and operating performance;
- production capacity expectations; and
- the Company's ability to achieve profitability without further equity financing.

The words "plans", "expects", "is expected", "budget", "scheduled", "estimates" "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “RISKS AND UNCERTAINTIES”. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking 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 the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

## HIGHLIGHTS

### First Quarter Financial

Net loss for the first quarter of the year and the three month period ended February 28, 2018 was $(1,173,309). The net loss for the three month comparative period ended February 28, 2017 was $(61,688). The Company received its License to Produce on August 17, 2017 pursuant to the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). During the first quarter, the Company continued its activities in pursuit of its License to Sell medical cannabis from Health Canada. The Company earned no revenue in the first quarter or since its inception.

The Company initiated initial cultivation of medical cannabis and completed Stage 4 of the licensing process during the quarter. On March 28, 2018, the company began harvesting its initial batches of medical cannabis. Testing of the initial cultivation was favorable. The Company expects to commence the harvest of additional batches of medical cannabis during the first week in May, 2018.

The Company has been actively developing its genetic base in anticipation of its license to sell and the passage of Bill C-45. The Company recently received a seed order from an approved international supplier and has initiated the process to produce multiple and diverse strains of cannabis. As at the date of this MD & A the Company does not have a license to sell medical cannabis and is anticipating future inspections by Health Canada prior to the expected issuance of a license to sell. The Company is unable to forecast the issuance date of the license to sell from Health Canada with reasonable accuracy at this time.

The Company’s new facility was designed for the development of the Company’s genetic base and is limited to approximately 2,000 of grow and genetic space capacity. The remainder of the facility is dedicated to harvesting, processing, storage and administrative space. Early in the quarter the Company began site preparation and engaged a geotechnical consultant for a planned 40,000 square foot greenhouse at its Mission, British Columbia site. As at the date of this MD & A, the site preparation analysis is continuing. The Company expects to award contracts for construction of the greenhouse in the short term. The Company has identified the construction of the greenhouse at the Mission site as critical to developing operations economically and at scale. Further construction of the greenhouse will require additional financing and although the Company anticipates the procurement of such financing, there can be no assurance that the Company will obtain financing on acceptable terms or that the greenhouse will be completed.

The Company implemented several board and management changes during and subsequent to the quarter. In December 2017, the Company's Chief Financial Officer resigned and was replaced by the current Chief Financial Officer, Mr. McArthur. In March 2018, the Company's Chief Executive Officer resigned and was replaced by the current Chief Executive Officer, Mr. Malnarick.

In April 2018, two additional board members, Mr. MacNeil and Mr. Enchino were added to replace former board members. Mr. MacNeil was appointed chairman of the Compensation Committee and Mr. Enchino was appointed chairman of the Audit Committee.

The Company believes the changes to its management team and the addition of recent board members will prove beneficial for the development of the Company. The Company expects to add additional expertise in the short term.

The Company has announced its annual general meeting of June 4, 2018 in Vancouver, British Columbia.

## RECENT DEVELOPMENTS

The Senate of Canada is has referred Bill C-45, the Cannabis Act, to committee. Bill C-45 is a government legislation that would legalize access to cannabis in Canada. The bill would also control and regulate how cannabis is grown, distributed and sold. Bill C-45 was introduced in the Senate and given first reading on November 28, 2017. Bill C-45 was passed in the House of Commons on November 27, 2017. Bill C-45 was adopted at second reading in the Senate on March 22, 2018 and was referred to the Senate Committee on Social Affairs and Technology. The Company currently operates under regulations pursuant to ACMPR and expects to continue doing so. The Company also expects to operate pursuant to the laws and regulations of Bill C-45, when and if passed into law.

Distribution of cannabis contemplated by Bill C-45 has been delegated to provincial jurisdictions. The provinces have several forms of distribution including public owned and operated, privately owned and operated, or a combination thereof. For example, the governments of Ontario and Quebec have indicated a publically owned and operated distribution system whereas the government of Manitoba has indicated a privately owned and operated distribution system. The government of British Columbia Private Retail Licensing Guide (non-medical cannabis) indicates a mixed public and private distribution system. The guide indicates where there is a close relationship (financial or otherwise) between a licensed producer and a non-medical retail business, the retail business will be prohibited from selling any products from the licensed producer. The guide indicates the restriction ensures that the market remains diverse and larger participants do not control and consolidate and control the market. The government of British Columbia has recently introduced laws and regulations to the legislative assembly which antipate the passage of federal B C-45. The Company views the position of the British Columbia government as favorable to its development as a licensed producer.

## DESCRIPTION OF THE BUSINESS

The Company operates through its wholly-owned subsidiaries, Experion Biotechnologies Inc. ("Experion"), Fish Trap Ventures Ltd. ("Fish Trap") and Stave Lake Services Ltd. ("Stave Lake"). Experion is a licensed producer of medical cannabis in Canada. The principal activity of Experion is the production, possession, sale and shipping of medical cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). As at the date of this MD & A , Experion has a license to produce medical cannabis but has not received its license to sell and ship medical cannabis. The principle activity of Fish Trap is the ownership of land and leasing of land. The principle activity of Stave Lake is the hiring of personnel and providing contract services to Experion.

On September 28, 2017 Experion completed a reverse takeover of a public shell company, Morro Bay Resources Ltd. The reverse takeover transaction consisted of Experion shareholders acquiring 92.3% of the combined company and assuming $94,616 in net monetary and stock option plan liability. As a result of the reverse takeover, the Company recorded a reverse takeover listing expense of $1,652,137 and the Morro Bay Resources Ltd. changed its name to Viridium Pacific Group Ltd.

Concurrent with the reverse takeover transaction the Company completed a $3,300,000 common share unit financing through its Agent, Wellington- Altus Private Wealth. The agent exercised its overallotment option. Concurrent with the reverse takeover, the Company acquired 100% of the previously issued and outstanding convertible debentures of Experion in consideration of the issuance of 1,771,962 common share units having a value of $1,063,177. Also, concurrent with the reverse takeover, Experion acquired 18.75% of its previously issued common shares in consideration of its disposition of its investment in Norther Vine Canada Inc. The repurchase of Experion common shares resulted in Experion becoming a wholly-owned subsidiary.

The Company incorporated two wholly-owned subsidiaries late in the prior quarterly period, Fish Trap Ventures Ltd. and Stave Lake Services Ltd. In November, 2017 the Company, through Fish Trap, exercised an option to purchase land, on which the Mission, British Columbia building is located, for $1,018,900. Stave Lake employs personnel and consultants and contracts its services to Experion.

The Company began the three month period ended February 28, 2018 with $ 2,671,902 of working capital (2017 -$765,451) comprised mainly of cash and cash equivalents.

In December, 2017, the Company procured its initial genetic material and plants from several existing producers licensed by Health Canada. The Company began cultivating cannabis in late December, 2017. The Company has also placed orders with Health Canada approved suppliers for additional genetic material during the quarter and received same subsequent to the quarter end.

During the months of January and February 2018, the Company continued to develop its genetic asset base and refining its cultivation practices. On March 28, 2018, the Company commenced its first harvest and anticipates beginning the inspection process with Health Canada to procure its license to sell.

The Company exited the first quarter ended February 28, 2018 with cash and cash equivalents of $2,097,025 and $106,158 of liabilities. The Company anticipates using cash on hand and additional equity or debt financings to fund activities over the next twelve months. Those activities include:

Procuring the License to Sell from Health Canada.

Procuring, developing and enhancing the genetic materials available to the Company, including the development of intellectual property rights.

Commencing active construction of a 40,000-square foot greenhouse at our Mission site.

Developing an optimal product matrix consistent with medical and recreational markets in Canada

Development of effective branding and marketing strategies for the medical and recreational markets in Canada.

Further developing the human resource capacity of our current and future employees.

Application and receipt of a license to produce and sell cannabis oils.

Development of cannabis oil derivate technology and facilitates.

**Results of Operations for the three month period ended February 28, 2018 as compared to the three month period ended February 28, 2017**

Revenue – The Company did not report any revenue for the three month period ended February 28, 2018 or 2017. The Company has not received its license to sell medical cannabis from Health Canada pursuant to the ACMPR. The Company has recently completed its initial harvest of medical cannabis and anticipates the scheduling of Health Canada Inspections. Although the Company anticipates receipt of a license to sell, the Company provides no guidance on when or if a license to sell cannabis will be issued to it by Health Canada.

Operating expenses – The Company incurred $1,173,309 in operating expenses for the three month period ended February 28, 2018 (February 28, 2017 - $61,688). The Company's activities for the quarter ended February 28, 2017 primarily related to construction of the Company's indoor facility in Mission, British Columbia and the procurement of a license to cultivate from Health Canada. Operating expenses consisted of land rent and professional fees. The primary operating expenses for the current quarter ended were consulting $380,350, share based compensation $479,858, wages and salaries $91,044 and professional fees $65,514. The remaining operating expenses were $156,543 which included amortization of $36,176, security of $32,294 and supplies $21,923. Consulting fees are expected to be reduced in the second quarter with the elimination of several consulting contracts. These cost reductions are expected to be offset by charges to salaries and wages and termination payments. Professional fees of a similar level are expected as the Company continues to grow. Costs for security are expected to be reduced during the second and ongoing quarters. The cost of supplies is expected to increase as the Company continues development of its genetic asset base. Share based compensation is expected to increase in the second quarter due to the acceleration of certain vesting conditions to current and former directors and consultants. Share based compensation is expected to decrease over the final two quarters of the fiscal year. The amount of unamortized stock based compensation is $486,267 as at February 28, 2018. The Company expects to issue additional stock based compensation to new and proposed directors. The Company currently owns the land on which its facility is located and although the land is subject to a lease between two of the Company's wholly-owned subsidiaries, the rental charge is eliminated upon consolidation. Consolidated rent expense for the upcoming fiscal period is expected to consist solely of third part cost recoveries for property taxes and other costs. Remaining expenses are expected to increase as the Company expands.

The Company expects to continue incurring significant losses for the next fiscal year as it continues development of its genetic base, increases its productive capacity and pursues its license to sell. The Company has not received its license to sell medical cannabis and cannot accurately forecast when the license will be received. The Company has no history of economic production and sale of medical cannabis and Bill C-45 regarding recreational cannabis has not been enacted into law. The expected variable distribution systems being enacted within each province and local jurisdiction significantly impact the combined market for recreational and medical cannabis. The Company is expanding and positioning itself to be competitive in the industry, however the Company anticipates incurring significant losses before become profitable.

Liquidity

As at February 28, 2018, the Company had cash and cash equivalents available of $2,097,025, up from $1,661,463 from February 28, 2017. The increase in cash was due to the equity financings in April, September and November, 2017, the Experion convertible debenture financing in July, 2017 and the exercise of warrants during the first quarter. While the Company has incurred cash losses to date, management anticipates success and eventual cash profitability of the business, there can be no assurance the Company will be able to produce products that gain adequate market acceptance or be able to generate sufficient positive cash flow to achieve its business plans.

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements.

The table below sets out the cash, other working capital and long-term debt at February 28, 2018 and February 28, 2017.

| | **February 28, 2018** | **February 28, 2017** |
|---|---:|---:|
| Cash and cash equivalents | $ 2,097,025 | $ 435,562 |
| Other working capital | $ 28,281 | $ (79,320) |
| Long-term debt | Nil | Nil |

The decrease in total working capital to $2,125,306 (February 28, 2017 - $765,451) was primarily due operating losses and the investment in property, plant and equipment. Amounts receivable increased due to increased recoverable amounts of Goods and Services tax. Subscriptions receivable decreased as the amount was received by the Company. Biological assets increased due the procurement of genetic material by the Company. Accounts payable decreased due to the completion of construction activities.

The chart below highlights the Company's cash flows for the years ended February 28, 2018 and February 28, 2017.

| Net cash provided by (used in) | **February 28, 2018** | **February 28, 2017** |
|---|---:|---:|
| Operating activities | $ (645,761) | $ (121,473) |
| Investing activities | $ (144,322) | $ (347,521) |
| Financing activities | $ 290,000 | $ (2,852) |
| Cash and cash equivalents, beginning of period | $ 2,597,108 | $ 907,408 |
| Cash and cash equivalents, end of perioid | $ 2,097,025 | $ 435,562 |

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities prior to changes in working capital during the quarter ended February 28, 2018 amounted to $(657,275), with net loss of $(1,173,309). In the comparative period last year, the cash used in operating activities prior to changes in working capital during the quarter ended February 28, 2017 was $(61,688), with net loss of $ (61,688). The cash used in operating activities after changes in working capital during the quarter ended February 28, 2017 amounted was $ (61,688).

## CASH USED IN INVESTING ACTIVITIES

Cash used in investing activities during the quarter ended February 28, 2018 was $144,322 primarily due to additional costs of the Mission facility, related production equipment and site preparation costs for the greenhouse expansion.

Cash used in investing activities during the quarter ended February 28, 2017 was $347,521 and was due the construction and equipping of the Mission site.

## CASH FROM FINANCING ACTIVITIES

Cash provided by financing activities during the quarter ended February 28, 2018 amounted to $290,000 and was primarily provided by the issuance of common shares upon the exercise of warrants issued by the Company during the previous quarter. Uses of cash also included repayment and advances with related parties.

Cash provided by financing activities during the quarter ended February 28, 2017 comprised of repayment and advances with related parties.

## LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, the Company has a history of losses with an accumulated deficit of $4,870,040, share capital of $8,252,956 and working capital of $2,125,306 as at February 28, 2018. This compares to an accumulated deficit of $154,472, share capital of $1,110,00 and working capital of $356,242 as at February 28, 2017. See below under the heading "Risk Factors".

## CAPITAL ACTIVITIES

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the Company's activities. The Company, upon approval from its Board of Directors, will undertake to balance its overall capital structure through new share issues, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's principal capital needs are for funds to expand its productive capacity and general working capital requirements to support growth including new opportunities to produce and sell cannabis oil and derivitives. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock with the exception of Experion's issuance of convertible debentures in July, 2017 which were reacquired by the Company in September, 2017.

The Company's authorized share capital is an unlimited number of common shares of which 46,073,725 common shares were issued and outstanding as at February 28, 2018, (February 28, 2017 – 11,466,667 common shares); 1,299,600 shares under the Company employee stock option plan ("SOP") at an average price of $0.60 per share at February 28, 2018 (November 30, 2016 – nil); and 5,230,223 common share warrants were outstanding at February 28, 2018 (November 30, 2016 – nil warrants).

OFF- BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those as stated below in the section titled "Transactions with Related Parties".

TRANSACTIONS WITH RELATED PARTIES

Compensation paid and the value of stock options vested to executive officers and board members during the three month period ended February 28, 2018 is as follows:

| | **Cash Compensation** | **Share Based Compensation Stock Options** | **Share Based Compensation RSU's** | **Total** |
|---|---|---|---|---|
| Management | $ 234,680 | $ 59,850 | $ 101,798 | $396,328 |
| Board of Directors | 3,000 | Nil | Nil | 3,000 |
| | $ 237,680 | $ 59,680 | $ 101,798 | $399,328 |

During the three month period ended February 28, 2018, the C.F.O. of the Company resigned, resulting in additional cash payments and the acceleration of the vesting period for RSU's. The cash compensation and the value of RSU's vested during the current quarter to the former C.F.O. of the Company was $84,680 and $80,798 respectively

The number of stock options and restricted share units granted and vested to executive officers and board members during the quarter November 30, 2017 is as follows:

| | **Stock Options Granted #** | **Stock Options Vested #** | **RSU's Granted #** | **RSU's Vested #** |
|---|---|---|---|---|
| Management | Nil | 149,625 | 50,000 | 174,625 |
| Board of Directors | Nil | Nil | Nil | Nil |
| | Nil | 149,625 | 50,000 | 174,625 |

Two shareholders perform services for the Company. The Company recorded $55,000 in compensation to the two shareholders during the three month period ended February 28, 2018 (2017 – $ Nil). The Company is also indebted to the two shareholders in the amount of $18,875 as at February 28, 2018 (2017 - $14,633).

Mr. John Zang, (a former director and corporate secretary of the Company) provided legal services to the Company in the amount of $45,000 during the quarter. Subsequent the quarter end the Company entered into a settlement agreement with, and no longer uses the legal services of Mr. Zang.

Related party transactions during the quarter are in the normal course of business and are measured at the exchange amounts agreed to by the parties.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 (“NI 52-109”), have both certified that they have reviewed the financial report and this MD&A (the “Filings”) and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

The Company’s internal controls over financial reporting (“ICFR”) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company’s ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

Based on management’s evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s internal controls over financial reporting were not effective as of February 28, 2018 as a result of the material weaknesses in the Company’s internal control over financial reporting, primarily based on non-segregation of duties, improper source document approval and inadequate internal control procedures.

Notwithstanding these material weaknesses, the Company has concluded that the financial statements included in this report fairly present in all material respects its financial position, results of operations, capital position, and cash flows for the periods presented, in accordance with IFRS.

A material weakness, as defined in National Instrument 52-109 of the Canadian Securities Administrators, is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

### Remediation Plan and Activities

Senior management has discussed the aforementioned material weaknesses with the Audit Committee, and the Board will continue to review progress on these remediation activities on a regular and ongoing basis.

The material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

No assurance can be provided at this time that the actions and remediation efforts will effectively remediate the material weaknesses described above or prevent the incidence of other material weaknesses in the Company’s internal control over financial reporting in the future. Management, including the Chairman and Chief Executive Officer and Chief Financial Officer, does not expect that disclosure controls and procedures or internal control over financial reporting will prevent all errors, even as the remediation measures are implemented and further improved to address the material weaknesses. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving the stated goals under all potential future conditions.

CSA National Instrument 52-109 requires the Chief Executive Officer and Chief Financial Officer to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer are also responsible for disclosing any changes to the Company’s internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Other than those described above, there have been no changes in the Company's internal control over financial reporting during the year ended November 30, 2017 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

**RISKS AND UNCERTAINTIES**

Many factors could cause the Company’s actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors which should be reviewed in detail by all readers:

The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;

The Company’s ability to grow, store and sell medical cannabis in Canada are dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada;

The introduction of home and designated growing may have a negative impact on the Company’s sales and infringe on the Company’s market;

Greater access to medical cannabis, through home and designated growing and illegal dispensaries, may decrease the number of patients registering with the Company and may cause registered patients to leave the Company and grow for themselves;

Home and designated growing may increase access to cannabis in the illegal market, potentially impacting the public’s perception of the Company, and the cannabis industry as a whole;

The Company’s operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;

Third parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company’s medical cannabis business activities;

The operation of the Company can be impacted by adverse changes or developments affecting the facilities of the Company's wholly-owned subsidiaries;

The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;

The Company's growth strategy contemplates outfitting its facilities with additional production resources. A variety of factors could cause these activities to not be achieved on time, on budget, or at all. As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises;

The Company and its wholly-owned subsidiaries have limited operating histories;

Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company;

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity;

The Company and its wholly-owned subsidiaries face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;

The products of the Company's wholly-owned subsidiaries could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its wholly-owned subsidiaries could face increase operational scrutiny by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses;

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;

The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;

The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;

- The Company could fail to integrate acquired companies into the business of the Company;
- Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;
- Certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;

The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;

There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;

A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders;

The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings;

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety; and

The Company has, and will have, certain business arrangements with third parties, the breakdown/loss of which could impact its operations.