Marapharm Ventures Inc.

Watch us grow!

MANAGEMENT DISCUSSION & ANALYSIS
For the Nine Months Ended December 31, 2017

MARAPHARM VENTURES INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2017

Introduction

The following management discussion and analysis ("MD&A"), prepared as of February 28, 2018, is a review of the operations, current financial position and outlook for Marapharm Ventures Inc. (the "Company" or "Marapharm") and should be read in conjunction with the Company's most recently issued unaudited interim financial statements for the quarter ended December 31, 2017 and for the year ended March 31, 2017 (audited). Copies of these financial statements are filed on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included herein and in the following discussion and analysis are stated in Canadian dollars unless otherwise noted.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of February 28, 2018.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with IFRS. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate resulting from risk factors beyond its control. Actual results may differ materially from the expected results.

Forward-Looking Information

This MD&A may include certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. Other than statements of historical facts, all statements included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competition, strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe", "pipeline", and similar expressions are intended to identify forward-looking statements. Forward-looking information is based, in part, on assumptions that may change, thus causing actual results or anticipated events to differ materially from those expressed or implied in any forward-looking information. Such assumptions include the stability or improvement of general economic conditions. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise them to reflect new events or circumstances. Such factors include, among others, risks related to unavailability of financing, unfavorable market conditions and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Cannabis Industry Involvement Statement

Cannabis is legal in each state where Marapharm is engaged in business, however cannabis remains illegal under US federal law and the approach to enforcement of US federal law against cannabis is subject to change. Shareholders and investors need to be aware that adverse enforcement actions could affect their investments and that Marapharm's ability to access private and public capital could be affected and or could not be available to support continuing operations. Marapharm's business is conducted in a manner consistent with each State's laws and complies with its' licensing requirements. Copies of licenses held are posted on Marapharm's website. The Company has internal compliance procedures in place, as well as, compliance focused attorneys engaged to monitor changes in laws and compliance with US Federal and State law.

In Washington, the Company is exercising its option to purchase 13 acres of land specifically approved for cannabis business use, and currently has buildings on the property leased to an I-502 Tier 3 cultivator and producer. The Company's role in

Washington is solely that of landlord, providing turnkey facilities to the tenant. The buildings are currently undergoing extensive renovations. The Company's tenant is following the State Liquor Control Board regulations.

In Nevada, Marapharm had been approved for 3 medical cannabis licenses and has subsequently applied for and has been approved for 5 recreational licenses, which include, licenses for cultivation, processing and distribution. The Company complies with its ongoing monthly reporting for its licensing in Nevada, which is completed by the State. The temporary facilities in Nevada have been inspected on several occasions and Marapharm has passed inspection and has worked with inspectors in order to comply with any additional regulations.

In California the Company owns two properties, with two medical cannabis licenses associated to each property. Licensing in California is done through Desert Hot Springs, the local governing body, who pre-approves each application for the State. All regulatory compliance has been followed with these licenses.

The Company has the same philosophical view as the guidelines set out in the Cole Memo (rescinded), and strictly complies with its guidelines, which include: preventing the distribution of cannabis to minors, preventing revenue from the sale of cannabis going to criminal enterprises, preventing the diversion of cannabis from states where it is legal to states where it is not, preventing state legal activity from being a "front" for the distribution of other illicit drugs, preventing violence and the use of firearms in the cultivation and distribution of cannabis, preventing intoxicated driving and other public health consequences associated with cannabis use, preventing of cultivation of cannabis on public lands, as well as, preventing the use of cannabis on Federally owned property.

Description of the Company's Business

Marapharm Ventures Inc. ("Marapharm" or the "Company"), was incorporated under the Business Corporations Act (British Columbia) on April 24, 2007 under the name "0789189 B.C. Ltd". On March 5, 2012, the Company approved a Plan of Arrangement (the "Plan") with its parent company, Whitewater Resources Ltd., and became a reporting issuer. On May 21, 2013, the Company changed its name to "Capital Auction Market Inc". On August 1, 2014, the Company changed its name to "Marapharm Ventures Inc". The Company reached an agreement on December 10, 2014, to acquire Marapharm Inc., a company that was established to enter the emerging market of cannabis for medical purposes under Canadian regulations and has applied for a license with Health Canada. The consolidated financial statements now include the operations of the subsidiaries Marapharm Inc., Marapharm Washington LLC, Marapharm Las Vegas LLC, Phenofarm NV LLC, EcoNevada, LLC and Marapharm DHS California, LLC. The Company's head office is located at Suite 102 – 1561 Sutherland Avenue, Kelowna, B.C., V1Y 5Y7. The Company's common shares commenced trading on the Canadian Stock Exchange ("CSE") on May 8, 2015 under the symbol "MDM". The Company's common shares also trade on the OTC Markets under the ticker symbol "MRPHF" and the Frankfurt Stock Exchange under the ticker symbol "2MØ".

Marapharm was formed to create a global entity pursuing commercial and retail ventures within the medical and recreational cannabis industry.

Las Vegas, Nevada, United States

Through Marapharm Las Vegas, LLC, the Company owns licenses in Las Vegas for cultivation, processing and distribution, where it is planning to build cannabis facilities of up to approximately 300,000 square feet.

Whatcom County, Washington, United States

Through Marapharm Washington, LLC, the Company has a lease and sublease agreement, as well as a purchase option agreement for the 13.6 acre property in Whatcom County. The Company is currently completing the leasehold improvements and purchasing equipment for the facility.

Desert Hot Springs, California, United States

The Company has purchased two properties and has a third in escrow. There are six medical permits in total associated with these properties. Additionally, in November 2017, the company entered into an agreement to purchase a dispensary located in Desert Hot Springs for US$1,600,000. This deal subsequently closed on February 13, 2018.

Kelowna, BC, Canada

The Company has a lease arrangement for an 11-acre property in Kelowna as a potential cannabis growing location. The Company's MMPR License application is currently being reviewed by Health Canada.

In addition to its MMPR License application, the Company owns Maragold, an all-natural oil product line, and to date has completed the hemp formulations for the products.

Quarterly Highlights

- Asset base increase to $17.42 million for the nine months ended December 31, 2017.
- Washington - continued renovation on the 28,000 square foot cultivation facility.
- Las Vegas - nearing completion of the two 5,000 square foot cultivation and production facilities.
- Las Vegas – commencement of the next phase of construction with the order and manufacture of the third building (65,000 square foot).
- California – Engineer drawings and building plans are being developed for submission to The City of Desert Hot Springs as the Company enters into final development permitting.
- California - Agreement to purchase an operating cannabis dispensary in California which closed on February 13, 2018.
- November 17 was the AGM, followed by the Open House in Las Vegas, Nevada, which was attended by more than 300 shareholders, investors and industry leaders.
- Purchased an additional 1.5 million units of Veritas Pharma Inc., as well as 0.25 million warrants, increasing the Company's holdings. Sold 0.40 million shares in December 2017 for a gain of $0.19 million.
- In this last quarter the Company closed 2 tranches of the $0.10 share purchase warrants totaling 24.22 million. As at December 31, 2017 the Company recorded $3.60 million in proceeds on the share purchase warrants.

Ongoing Developments

Marapharm Washington

Marapharm WA is in the process of developing its property for cultivation, processing and research purposes, with the intention of creating a "Cannabis Campus". The Company will continue to renovate the buildings and build new structures as required. Cannabis has been a boom to the Washington State economy with the Washington State Liquor and Cannabis Board forecasting over 1.6 billion in sales to consumers in 2018.

The Company has a purchase agreement for 13.6 acres of industrial land and buildings located in Washington State for $4.2 million. The Company paid a deposit of $0.50 million USD to be applied against the purchase price. The remaining amount is being paid by way of 37 monthly installments of $100,000 USD, which began April 01, 2017. The land is zoned for Washington State's I-502 cannabis cultivation and processing requirements. There are currently multiple buildings on the property; a 28,000-square foot building (leased to a tier 3 I-502 cannabis cultivation/processing tenant), a 9,190-square building (future processing center), a 7,200-square foot mechanic shop, a 2,208-square foot office building and large sheds. The Company's tenant will be leasing the property at the rate of USD $200,000 per month with payments to start upon completion of the renovations. These payments are retroactive to the date that operations commenced.

The Company has completed demolition of the building interior allowing for the construction of the new tenant improvements to begin. To proceed with the renovations to the 28,000 sq. foot building, permission had to be obtained from the County as well as the Liquor Control Board. The original interior had been built out of materials that made it prone to mildew, and, the building design limited cultivation methods and maximum use of cultivation space. The interior has been torn down, surfaces have been cleaned and treated for mold prevention. Spray foam insulation is being applied to the roof and walls to meet State requirements, and once complete, the interior will be re-constructed. The estimated budget for the demolition and construction of new facilities is $1.5 million. An additional budget of $1 million will be required for equipment and finishing.

Marapharm Las Vegas

Medical cannabis has been legal in Nevada since November 7, 2000, and Nevada recently passed a bill legalizing the use of recreational cannabis effective July 01, 2017. Marapharm is poised to take full advantage of this opportunity as the Company has been issued the applicable permits to grow, cultivate and sell its products including edibles and oils.

On May 11, 2015, the Company entered into an agreement with Pinto Ventures Ltd. to purchase approximately 5.9 acres of land in the Apex Business Park in North Las Vegas, Nevada.

In addition to this agreement, Marapharm acquired a 100% ownership interest in EcoNevada, LLC from Pinto Ventures Ltd, a company that owned two licenses, one for cultivation and the other for processing, bringing the total square footage of all pending licenses to approximately 300,000 sq. ft., including a 16,000-sq. ft. processing license. Furthermore, the Company applied for and received two distribution licenses for the transportation of cannabis.

The Company has merged all its licenses onto its 7-acre parcel in the Apex Business Park, in Las Vegas, to operate as a "campus". The special use permits, allowing all three licenses to operate from that property, have been approved by the City of North Las Vegas. Marapharm has commenced the project, with two 5,000-square-foot starter buildings. The purpose of the smaller buildings will be to house the existing licenses, to supply product to the market in the interim, and to allow for training of staff. The two 5,000-square-foot buildings will be ready for occupancy by early summer 2018. Cultivation of specific strains has already begun in two modular trailers onsite. Construction has continued with the ordering of a 65,000-square-foot, three story building. The Company plans to continue construction of the remaining "campus" in a phased development. The total budgeted costs for the full development is currently estimated to be approximately $60 million.

In June 2017, the Company exercised an option to acquire 100% of the equity interest of PhenoFarm NV LLC ("PhenoFarm") who owns a Nevada medical and recreational cannabis cultivation license. Pursuant to the terms of an amended option agreement, the Company agreed to acquire 85% equity interest of PhenoFarm for US$250,000 in cash and the remaining 15% equity interest for 100,000 common shares of the Company. In July 2017 the Company paid the remaining purchase price and issued the shares.

California

California has a long history of using medical cannabis, being the first state to legalize its medical use. California also recently passed a bill to legalize the sale of recreational cannabis and has the potential of becoming the top state for cannabis sales in the United States. The Company's plans to purchase properties, with the appropriate licenses, to allow the Company to take advantage of the opportunities in such a large populous state. The following agreements to purchase properties are as follows:

- On March 24, 2017, the Company entered into to an agreement to purchase 1.22 acres of property located in Desert Hot Springs, California. The transaction was completed on May 31, 2017 for a total consideration of US$1,126,729 inclusive of closing costs.
- On April 26, 2017 the Company entered into an agreement to purchase 7.02 acres of property located in Desert Hot Springs, California for US$2,500,000. The Company has paid US$100,000 into escrow and the transaction is in the due diligence stage.
- On July 5, 2017 the Company entered into an agreement to purchase 1.25 acres of property located in Desert Hot Springs, California for US$520,000. The Company paid US$18,000 into escrow and the transaction has closed.
- Additionally, in November 2017, the company entered into an agreement to purchase a dispensary located in Desert Hot Springs for US$1,600,000. This deal subsequently closed in February 2018.

All properties are zoned for cannabis and hold cultivation and processing permits.

Maragold Products

The Company is continuing to develop its line of Maragold health and wellness products, a line of all-natural products made of raw essential oils and natural ingredients blended with hemp. Hemp has been used as healing ingredient for centuries but faced an almost world-wide ban for a large part of the 20th century and into the early part of the 21st century. In recent years the ban has been lifted and this broad-spectrum plant is now being made available for its many therapeutic uses. The Company plans to offer the hemp infused health and wellness products through an online webstore it is in the process of developing.

Marapharm TV

The Company has launched Marapharm.tv to broadcast regular programs on the cannabis industry; in addition to this, we will provide a weekly market report of Marapharm's stock activity and updates on its operations. We believe that by utilizing online media we can better inform the public about our industry, its benefits and its challenges. The channel will also allow us to advertise our brands and allows us a unique marketing opportunity.

Canadian Operations

Through its wholly owned operating subsidiary Marapharm Inc., the Company has applied to Health Canada to become a licensed producer under the Access to Cannabis for Medical Purposes Regulations (MMPR). Marapharm's initial facility, a proposed 22,000 square-foot state-of-the-art cultivation facility, is planned for construction on an 11-acre leased site in Kelowna, British Columbia.

Outlook

Marapharm believes the outlook for the Company and cannabis industry is very positive as the Canadian market for legalized medical and recreational cannabis has been projected to exceed $12.7 billion. The market for medicinal use in Canada was estimated at $144 million in 2014 and expected to grow by 23% per year to $1.3 billion 2024. In the United States, New Frontier Data reported that the legal cannabis market was worth an estimated $7.2 billion in 2016 and is projected to grow at a compound annual rate of 17%. Medical cannabis sales are projected to grow from $4.7 billion in 2016 to $13.3 billion in 2020. Adult recreational sales are estimated to jump from $2.6 billion in 2016 to $11.2 billion by 2020.

The Company is considering retail opportunities to complement its cultivation and processing abilities. This will allow the control of the quality, marketing and messaging behind our products.

Our recent results and above-mentioned developments support our optimistic view of our future, however, neither the timing nor the degree of likelihood of success of any of our proposals, initiatives or commercialization efforts can be stated with any degree of certainty.

Third Quarter Financial Results

Comparison to the previous Quarter End

Revenues	191,662	Increase mainly due to the gain on the sale of 400,000 Veritas shares
Consulting fees	1,158,693	Increase mainly due to Director's bonus of $1.2 million
Professional Fees	(378,897)	Decrease due to Audit fees and higher legal fees in Q2
Shareholder and Investor Relations	(113,677)	Decrease in Shareholder and investor relations
Share in Loss in Equity Investment	237,812	Increase due to higher than normal Veritas costs
Amortization and Depreciation	80,883	Increase due to increase in Assets
Other Expenses	98,330	Increase in all other expenses
Total Exp (before Foreign exchange)	1,083,144	

Selected Quarterly Financial Information

Operational and Administrative Costs

The majority of costs incurred by the Company are being applied to earnings in the current period as incurred.

For the Three Months Ended Ended December 31, 2017

	2017	2016
Revenues	302,990	102,058
Expenses	2,452,408	2,316,723
Income (Loss) Before Other Items	(2,149,418)	(2,214,665)
Amortization of Intangible Assets	(28,583)	(59,650)
Depreciation of Property & Equipment	(149,337)	(78,888)
Interest & Accretion on Bond	(54,650)	(11,352)
Finance Fees & Other	-	(3,817)
Foreign Exchange (Loss)/Gain	(6,813)	-
Share of (Loss)/Gain on Equity Investment	(419,545)	-
Stock Based Compensation	-	(450,266)
Net Income/(Loss)	(2,808,344)	(2,818,638)
Basic & Diluted Earnings/(Loss) Per Share	(0.03)	(0.05)
Total Assets	17,421,869	8,698,390
Total Long-Term Liabilities	1,276,229	527,338

Segment Information

At December 31, 2017 and 2016, the Company had one reportable operating segment relating to medical cannabis and distribution of hemp-based products. Geographical information is as follows:

Three Months ended December 31, 2017	Canada $	USA $	Total $
Revenues	191,035	111,955	302,990
Expenses			
Amortization of Intangible Assets	160	28,423	28,583
Depreciation of Property and Equipment	3,235	146,102	149,337
Share of (Income) Loss in Equity Investment	419,545	-	419,545
Other Expenses	2,324,669	189,202	2,513,871
Net Loss for the Year	(2,556,574)	(251,772)	(2,808,344)
Current Assets	1,947,819	3,336,214	5,284,033
Loan Receivable	-	235,386	235,386
Due from Related Party	-	-	-
Property, Plant and Equipment	44,776	8,926,252	8,971,031
Intangible Assets	2,946	2,125,187	2,128,131
Investment in Associate	803,288	-	803,288
Segment Assets	2,798,829	14,623,039	17,421,869
Segment Liabilities	1,995,967	1,161,085	3,157,052

Three Months ended December 31, 2016	Canada $	USA $	Total $
Revenues	-	102,058	102,058
Expenses			-
Amortization of Intangible Assets	2,756	56,894	59,650
Depreciation of Property and Equipment	4,377	74,511	78,888
Other Expenses	460,917	2,321,241	2,782,158
Net Loss for the Year	(468,050)	(2,350,588)	(2,818,638)
Current Assets	3,685,139	734,700	4,419,839
Loan Receivable	-	302,108	302,108
Due (to)/from Related Party	456,983	-	456,983
Property, Plant and Equipment	33,034	1,912,807	1,945,841
Intangible Assets	1	1,573,618	1,573,619
Segment Assets	4,175,157	4,523,233	8,698,390
Segment Liabilities	864,780	41,694	906,474

	Canada	USA	Total
	$	$	$
Nine Months ended December 31, 2017			
Revenues	193,201	339,289	532,490
Expenses			
Amortization of Intangible Assets	484	86,498	86,982
Depreciation of Property and Equipment	10,543	254,146	264,689
Share of (Income) Loss in Equity Investment	766,844	-	766,844
Other Expenses	5,831,719	933,343	6,765,060
Net Loss for the Year	(6,416,389)	(934,698)	(7,351,085)
Current Assets	1,947,819	3,336,214	5,284,033
Loan Receivable	-	235,386	235,386
Due from Related Party	-	-	-
Property, Plant and Equipment	44,776	8,926,252	8,971,031
Intangible Assets	2,946	2,125,185	2,128,131
Investment in Associate	803,288	-	803,288
Segment Assets	2,798,829	14,623,037	17,421,869
Segment Liabilities	1,995,967	1,161,085	3,157,052

	Canada	USA	Total
	$	$	$
Nine Months ended December 31, 2016			
Revenues	-	268,254	268,254
Expenses			-
Amortization of Intangible Assets	-	59,650	59,650
Depreciation of Property and Equipment	6,956	75,914	82,870
Other Expenses	3,691,402	897,701	4,589,103
Net Loss for the Year	(3,698,358)	(765,011)	(4,463,369)
Current Assets	4,142,123	277,716	4,419,839
Loan Receivable	-	302,108	302,108
Due (to)/from Related Party	456,983	-	456,983
Property, Plant and Equipment	33,034	1,912,807	1,945,841
Intangible Assets	1	1,573,618	1,573,619
Segment Assets	4,632,141	4,066,249	8,698,390
Segment Liabilities	864,780	41,694	906,474

Discussion of Operations

Comparison for the Three Months ended December 31, 2017 and December 31, 2016:

- The increase in gross revenues of $0.20 million is mainly due to the gain on the sale of 400,000 Veritas shares in Q3 2018.

- Operating expenses increased by $0.14 million when compared to December 2016. This increase is mainly due to the $1.23 million bonus paid to the Directors for the 2017 fiscal year. Stock Promotion and Investor Relations costs, as well as Commissions for Finder's Fees, consistently remain the largest expense contributors over all quarters since December 2016 as the company continues to raise capital for their continued growth. As many of the consulting agreements in place for 2016 have now terminated, the current quarter end Consulting costs are much lower. New rent arrangements were also made in 2017 placing the Company in a more favorable budgetary position. Travel expenses increased in the quarter due to increased travel to Nevada and Washington due to construction, as well as the Annual AGM and Las Vegas open house held in November. The Company had a loss before other items of $2.15 million compared to a loss of $2.21 million in the prior year for the same quarter.

- The net loss for the quarter end is $0.01 million lower than in 2016. In 2017 the Company has a Share of Loss in Equity Investment (Veritas) of $0.42 million. This investment was made in March 2017 and therefore was not present in 2016 comparative quarter. In 2016 the Company paid Stock Based Compensation of $0.45 million whereas in 2017 there was no compensation paid. Due to the increase in Construction activity Amortization and Depreciation expenses are higher for 2017.

Comparison for the Nine Months ended December 31, 2017 and December 31, 2016:

- The increase in gross revenues of $0.26 million is due to the gain on the sale of 400,000 Veritas shares in Q3 2018 and from the recording of Rental Revenue and Consulting Fees since June 2017.

- Consulting fees increased considerably from prior periods for the nine months ended. The Company ended the quarter with an expenditure of $1.61 million compared to $0.62 million in the nine months ended in 2016. The increase is mainly attributed to the $1.23 million bonus paid to the Company's Directors in this third quarter (included in Consulting Fees for Financial Statement purposes).

- Commission expense of $0.62 million year-to-date was significantly higher in comparison to the prior year. Commissions were paid as finders' fees relating to the warrant offerings, however the increase is mainly due to a commission amount paid to Pinto Ventures Inc., a company controlled by Brian Lovig, for brokering the purchase of two properties located in California. A commission amount of $0.48 million (US$0.35 million) was paid to Pinto Ventures Inc. on May 26, 2017.

- Professional fees, including accounting, legal and engineering, are higher than in the same period the year prior. Year to date, the Company has spent $0.78 million compared to $0.48 million for the same period in the prior year. The increase is attributed to ongoing regulatory reviews, audit fees, and legal services required to complete acquisitions and other business matters in all operating segments.

- Managements' decision to focus on shareholder and investor relations activities in Canada, the United States, and Europe, which is a carry-over from last year, has resulted in a $1.86 million expense year to date, while 2016 for the same period was $2.3 million. The results of these efforts, we believe, has led to shareholders exercising most of the outstanding warrants and the Company receiving $3.60 million from the on-going warrant offering as of December 31, 2017.

- Travel expenses show a significant increase over the prior year quarter due to the Company's focus on its licenses in Nevada, continued construction in both Nevada and Washington, and the AGM and Las Vegas open house held in Las Vegas in November 2017. The Company expended $0.09 million (2016 - $0.004 million) year to date.

- Increased activity in share capital offerings over the past nine months has increased Transfer Agent/Filing Fees by $0.04 million compared to the same period the previous year.

- The Company recognized bond interest and accretion of $0.63 million. The bonds were issued in March 2017.

- Amortization and depreciation expenses in the amount of $0.35 million for the nine months ended have increased from $0.14 million in the prior year due to the increased asset base.

- Stock Based Compensation increased from $0.45 million in 2016 to $1.02 million in 2017 for the nine months ended.

- The Share of Loss in Veritas Equity Investment is $0.77 million for 2017 year-to-date. This investment was made in January 2017.

- Construction activity greatly increased in the nine months ended December 31, 2017 over the same period in the prior year. During the year, the Company continued to grow its property acquisitions, expanding into California. The Company focused its efforts on both Las Vegas and Washington in bringing both properties closer to operational. The Company's total assets increased from $12.64 million in December 2016 to $17.42 million for December 2017.

- The net loss for the nine months ended December 2016 is $7.8 million compared to $4.3 million for the 2016 period. In 2017 the Company has a Share of Loss in Equity Investment (Veritas) of $0.77 million. This investment was made in March 2017 and therefore was not present in 2016 comparative period. In 2016 the Company paid Stock Based Compensation of $0.45 million whereas in 2017 there was no Stock Based compensation paid. Rather a Directors' bonus of $1.23 million was made. Due to the increase in construction activity Amortization and Depreciation expenses are $0.21 million higher for 2017. Interest and Accretion on Bonds are $0.16 million for the period ending. The Bond interest started in April 2017.

Summary of Quarterly Financial Results

The following table provides a summary of the Company's eight quarterly results ending on December 31, 2017:

	Quarter ended Mar.31, 2016	Quarter ended June 30, 2016	Quarter ended Sept.30, 2016	Quarter ended Mar.31, 2016
Revenue	-	66,363	99,833	102,058
Net Income (Loss)	(1,530,785)	(484,196)	(1,754,209)	(2,901,196)
Basic and Diluted Net Income/(Loss) per Share	(0.04)	(0.01)	(0.04)	(0.05)

	Quarter ended Mar.31, 2017	Quarter ended June 30, 2017	Quarter ended Sept.30, 2017	Quarter ended Dec.31, 2017
Revenue	115,648	118,172	111,328	302,990
Net Income (Loss)	(4,741,776)	(2,864,088)	(2,167,428)	(2,751,959)
Basic and Diluted Net Income/(Loss) per Share	(0.06)	(0.04)	(0.02)	(0.03)

The major variances between quarters is due to the following items:

a) Revenue - Rental and Consulting income from the Washington State operations began in June 2016. The increase in revenue for the quarter ending December 31, 2017 is due to the gain on the sale of 400,000 Veritas shares.
b) Net Income (Loss) - During the quarter ended December 31, 2016 the company began to raise capital for operational needs. This resulted in an increase in stock promotion and investor relations expenses and consulting (including finders' fees) fees.
c) Net Income (Loss) - During the March 31, 2017 quarter end the Company had increased expenditures in the areas of stock promotion and investor relations, consulting (including finders' fees) fees and stock-based compensation.
d) Net Income (Loss) - Stock promotion and investor relations expenses remain the largest contributor to overall expenses in the December 31, 2017 quarter as the Company continues to expand. Also included is a $1.23 million Director's bonus.

Liquidity and Capital Resources

As of the nine months ended December 31, 2017, the Company had net working capital of $3,403,210 compared to $4,040,703 as at December 31, 2016 and cash of $1,388,615 ($4,613,697 – 2016). The Company is dependent upon ongoing positive operations and debt/equity funding to support operating expenditures for the following year.

The Company had a net decrease in cash position for the nine months ended December 31, 2017 of $2.55 million compared to an increase in cash of $3.47 million for the same period in the prior year. The decrease in cash is primarily due to the continuing capital asset additions. A total of $3.60 million gross proceeds was received from the exercise of warrants. A total of $5.53 million was used for operations compared to $2.82 million in 2016.

Below are discussions related to the Company's Capital Resource activities:

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

As at December 31, 2017, the Company had 93,834,936 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

Shares Issued for the Year Ended March 31, 2017

i) Shares Issued for Cash

On April 14, 2016, the Company issued 2,640,000 units at $0.20 per unit for total gross proceeds of $528,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until April 14, 2017. The Company issued 89,000 common shares with a fair value of $17,800 and 379,000 finders' warrants with a fair value of $23,783 for finders' fees. As at March 31, 2016, the Company received $443,000 in share subscriptions prior to the closing of the private placement.

On June 16, 2016, the Company issued 2,817,500 units at $0.20 per unit for total gross proceeds of $563,500. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until June 16, 2017. The Company issued 47,500 common shares with a fair value of $9,500 and 226,000 finder's warrants with a fair value of $11,924 for finders' fees.

On September 6, 2016, the Company issued 10,866,250 units at $0.20 per unit for total proceeds of $2,173,250. Each unit consisted of one common share and one share purchase warrant exercisable at $0.40 until September 6, 2017. The Company issued 352,500 common shares with a fair value of $70,500 and 1,022,500 finder's warrants with a fair value of $130,135 for finders' fees.

ii) Shares Issued for Intangible Assets

During the year ended March 31, 2017, the Company issued a total of 1,172,814 common shares with a fair value of $594,855 (US$451,616) for the acquisition of Econevada.

iii) Shares Issued for Services

During the year ended March 31, 2017, the Company issued 435,000 common shares with a fair value of $287,150 to arm's length parties for marketing and investor relations services, of which $215,519 was related to services provided and expensed in the year ended March 31, 2016.

During the year ended March 31, 2017, the Company issued 3,536,298 common shares with a fair value of $4,123,312 to a related party for marketing and investor relations services.

During the year ended March 31, 2017, the Company issued 127,249 common shares with a fair value of $108,016 to arm's length parties for consulting services.

iv) Shares Issued for Debt

During the year ended March 31, 2017, the Company issued 188,702 common shares with a fair value of $137,752 to settle an outstanding loan. Included in the amount was $102,808 in principal and $34,944 in interest.

v) Shares Issued on Exercise of Warrants

During the year ended March 31, 2017, Company issued a total of 15,712,750 common shares upon the exercise of warrants for total gross proceeds of $9,803,062, and 712,000 common shares upon the exercise of finders' warrants for total gross proceeds of $293,738. As at March 31, 2017, a receivable of $308,000 was recorded for outstanding subscription proceeds for the exercise of warrants, which was subsequently received in April 2017.

vi) Shares Issued on Exercise of Stock Options

During the year ended March 31, 2017, Company issued a total of 1,760,000 common shares upon the exercise of options for total gross proceeds of $1,020,750.

Shares Issued for the Nine Months Ended December 31, 2017

vii) Shares Issued for Bond Bonus

On May 01, 2017, the Company issued 46,800 common shares for the 3% bonus interest (US$300) for each bond issued, payable in common shares at a deemed price of $0.85 per share.

viii) Shares Issued on Exercise of Warrants

During the nine months ended December 31, 2017, the Company issued a total of 12,826,250 common shares upon the exercise of warrants for total gross proceeds of $5,130,500, and 1,006,750 common shares upon the exercise of finders' warrants for total gross proceeds of $402,700.

ix) Shares Issued on Exercise of Stock Options

During the nine months ended December 31, 2017, the Company issued a total of 940,000 common shares upon the exercise of options for total gross proceeds of $495,000.

x) Shares Issued for Intangible Assets

During the nine months ended December 31, 2017, the Company issued a total of 100,000 common shares with a fair value of $135,000 for the purchase of the remaining 15% interest in Phenofarm NV LLC (Note 9(b).

xi) Shares Issued for Services

During the nine months ended December 31, 2017, the Company issued 425,000 common shares with a fair value of $552,750 to arm's length parties for consulting services.

c) Share Purchase Warrants

The continuity of warrants for the nine months ended December 31, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	December 31, 2017
April 14, 2017	$0.40	1,150,000	-	1,150,000	-	-
June 16, 2017	$0.40	2,392,500	-	2,367,500	25,000	-
September 6, 2017	$0.40	9,363,750	-	9,308,750	55,000	-
		12,906,250	-	12,826,250	80,000	-

The continuity of warrants for the nine months ended December 31, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	December 31, 2016
October 13, 2016	$0.40	737,500	-	737,500	-	-
November 6, 2016 (1)	$0.40	1,657,000	-	1,247,000	410,000	-
November 10, 2016	$0.40	613,750	-	613,750	-	-
December 9, 2016 (2)	$0.40	4,940,330	-	4,003,330	937,000	-
January 19, 2017 (3)	$0.40	5,059,670	-	1,152,000	-	3,907,670
March 25, 2017 (4)	$0.40	1,100,000	-	50,000	-	1,050,000
April 14, 2017	$0.40	-	2,640,000	515,000	-	2,125,000
June 16, 2017	$0.40	-	2,817,500	225,000	-	2,592,500
September 6, 2017	$0.40	-	10,866,250	500,000	-	10,366,250
		14,108,250	16,323,750	9,043,580	1,347,000	20,041,420

(1) On October 19, 2015, the Company extended the exercise date of the share purchase warrants from November 6, 2015 to November 6, 2016.

(2) On November 26, 2015, the Company extended the exercise date of the share purchase warrants from December 9, 2015 to December 9, 2016.

(3) On January 7, 2016, the Company extended the exercise date of the share purchase warrants from January 19, 2016 to January 19, 2017.

(4) On March 16, 2016, the Company extended the exercise date of the share purchase warrants from March 25, 2016 to March 25, 2017.

d) Finders' Warrants

The continuity of finders' warrants for the nine months ended December 31, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	December 31, 2017
April 14, 2017	$0.40	367,500	-	355,000	12,500	-
June 17, 2017	$0.40	221,000	-	206,000	15,000	-
September 16, 2016	$0.40	445,750	-	445,750		-
		1,034,250	-	1,006,750	27,500	-

The continuity of finders' warrants for the nine months ended December 31, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	December 31, 2016
October 13, 2016	$0.45	61,250	-	61,250	-	-
November 10, 2016	$0.45	47,500	-	47,500	-	-
January 19, 2017	$0.75	10,000	-	-	-	10,000
April 14, 2017	$0.40	-	379,000	-	-	379,000
June 17, 2017	$0.40	-	226,000	-	-	226,000
September 16, 2016	$0.40	-	1,022,500	-	-	1,022,500
		118,750	1,627,500	108,750	-	1,637,500

e) Warrant Subscriptions

The continuity of warrants subscriptions for the nine months ended December 31, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	December 31, 2017
January 31, 2021 (1)	$2.90	-	17,254,360	-	-	17,254,360
November 07, 2017 (2)	$2.90	-	6,965,281	-	-	6,965,281
`		-	24,219,641		-	24,219,641

(1) On September 26, 2017, the Company closed tranche 1 of the share purchase warrant offering for gross proceeds of $1,725,436.

(2) Warrant subscriptions received and accepted by the Company prior to the period end. The warrants are included in the tranche 2 closing on November 07, 2017.

f) Stock Options

Under the Company's stock option plan, the maximum number of shares that may be reserved for issuance is limited to 10% of the issued and outstanding common shares of the Company at the time of grant. Under the plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may have a maximum term of 5 years and be vested at the discretion of the board of directors. As at December 31, 2017, 5,500,000 options, with an average exercise price of $0.40 per share and an average remaining life of 1.34 years, have been vested.

Expiry Date	Exercise Price	March 31, 2017	Granted	Exercised	Expired/ Cancelled	December 31, 2017
May 8, 2017	$0.50	600,000	-	600,000	-	-
September 6, 2017	$1.49	300,000	-	-	300,000	-
September 6, 2017	$2.50	800,000	-	-	800,000	-
September 24, 2017	$0.50	315,000	-	290,000	25,000	-
November 8, 2017	$0.93	220,000	-	-	-	220,000
September 9, 2018	$0.40	650,000	-	-	-	650,000
November 8, 2018	$0.93	430,000	-	-	-	430,000
November 8, 2018	$1.00	250,000	-	50,000	-	200,000
March 6, 2018	$1.49	700,000	-	-	-	700,000
June 28, 2019	$1.02	-	3,300,000	-		3,300,000
		4,265,000	3,300,000	940,000	1,125,000	5,500,000

As at December 31, 2016, 4,075,000 options, with an average exercise price of $0.50 per share and an average remaining life of 1.4 years, have been vested.

Expiry Date	Exercise Price	March 31, 2016	Granted	Exercised	Expired/ Cancelled	December 31, 2016
March 8, 2017	$0.93	-	275,000	-	-	275,000
May 8, 2017	$0.50	2,000,000	-	-	600,000	1,400,000
September 16, 2017	$0.50	200,000	-	-	-	200,000
September 24, 2017	$0.50	1,275,000	-	-	850,000	425,000
November 8, 2017	$0.93	-	220,000	-	-	220,000
September 9, 2018	$0.40	-	925,000	250,000	-	675,000
November 8, 2018	$0.93	-	430,000	-	-	430,000
November 8, 2018	$1.00	-	350,000	-	-	350,000
December 15, 2020	$0.50	100,000	-	-	-	100,000
		3,575,000	2,200,000	250,000	1,450,000	4,075,000

g) Stock-Based Compensation

During the nine months ended December 31, 2017, the Company recognized stock-based compensation expense of $1,022,711 (2016 – $nil) for 3,300,000 stock options (2016 – nil) that were granted and vested in the period. These options have a weighted average fair value of $0.31 per option (2016 – $nil) as determined on the date of grant.

During the year ended March 31, 2017, the Company recognized stock-based compensation of $1,042,560 (2016 - $1,100,628) for 4,000,000 stock options (2016 – 3,575,000) that were granted and vested in the year. These options have a weighted average fair value of $0.26 per option (2016 - $0.31) as determined on the date of grant.

During the year ended March 31, 2017, the Company recognized stock-based compensation expense of $165,842 (2016 - $nil) in share issuance costs for 1,627,500 finders' warrants (2016 – 108,750) granted in the year. These options have a weighted average fair value of $0.10 per warrant (2016 - $nil) as determined on the date of grant.

The fair values of stock options and finders' warrants granted have been estimated using the Black Scholes option pricing model with the following assumptions made during the nine months ended December 31, 2017 and the year ended March 31, 2017:

	December 31 2017	March 31 2017
Risk-Free Annual Interest Rate	.53%	0.45% – 0.53%
Expected Stock Price Volatility	110%	107% – 158%
Expected Life of Options and Warrants	0.5 years	0.30 – 0.5years
Expected Annual Dividend Yield	0%	0%

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options, finders' warrants, and finders' unit warrants.

Capital Disclosure

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2017, the Company's shareholders' equity was $14.26 million (March 31, 2017 - $10.67 million) and it had current liabilities of $1.88 million (March 31, 2017 - $0.068 million). Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

To achieve this objective, management adjusts its capital resources to respond to changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management has invested its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed.

The capital resources used for operations was mainly from proceeds of the issuance of common shares and warrants exercised into common shares.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements other than reported in the accompanying notes to the financial statements as at December 31, 2017 or as of the date of this report.

Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows:

a) Related Party Balances

	December 31 2017 $	March 31 2017 $
Due from Related Party		
Due from/(to) A Shareholder and Companies Controlled by Him (i)	(91,798)	340,507
Due from Related Party		
Due to an Officer for Services and Expense Reimbursement	-	25,576
Trade and Other Payables		
Director's Fee	16,500	9,000

(i) As at December 31, 2017 Brian Lovig, of Pinto Ventures, utilized his bonus payment to settle the debt owing as at and March 31, 2017. The Company owed Pinto Ventures $0.092 million as of December 31, 2017. This amount was subsequently paid in February 2018.

b) Compensation of Key Management Personnel

	December 31 2017 $	December 31 2016 $
Consulting Fees	198,000	68,927
Directors' Fees	6,000	3,250
Management Fees	154,958	90,000
Stock Based Compensation	-	326,812
Bonus	1,231,848	-
	1,590,805	488,989

(i) The compensation paid or payable to Directors and Officers of the Company included consulting, management, and directors' fees for administrative and management services. The Directors were given a bonus totaling $1.23 million in this current quarter. Of this $0.70 million has subsequently been reinvested into the Company by way of warrant purchases, while another $0.10 million will be invested upon another offering. Brian Lovig, of Pinto Ventures, also utilized his bonus to repay $0.32 million owed to Marapharm.

c) Compensations and Transactions with a Related Party

	December 31 2017 $	December 31 2016 $
Consulting Services Paid (i)	-	270,000
Shares Issued for Marketing, Shareholder and Investor Relations (ii)	-	1,708,312
Finders' Warrants (iii)	-	73,404
Office Rent (iv)	-	45,000
	-	2,096,716

(i) Consulting Services

On January 30, 2014, the Company entered into a consulting agreement with Pinto Ventures Inc., a company controlled by Brian Lovig, for consulting services. The consulting agreement terminated December 31, 2016. During the nine months ended December 31, 2016, the Company paid consulting fees totaling $270,000.

(ii) Shares Issued for Marketing, Shareholder and Investor Relations

During the nine months ended December 31, 2016 the Company issued a total of 2,196,298 common shares to Brian Lovig with a fair value of $1.71 million for consulting agreement services provided by companies owned and controlled by Brian Lovig. This agreement terminated on December 31, 2016.

(iii) Finders' Warrants

In connection with a private placement completed September 6, 2016 the Company issued 576,750 finders' warrants to Brian Lovig. Each warrant was exercisable for one common share at $0.40 per share for a one-year term. The fair value of the warrants, as determined by the Black-Scholes option pricing model (Note 13(g)).

iv) Office Lease Arrangement

During the nine months ended December 31, 2016, the Company paid $45,000 to Pinto Ventures Inc., a company controlled by Brian Lovig. Effective June 1, 2017, the Company relocated its head office to another location.

v) Property Lease Arrangement

On July 15, 2014, the company entered into a lease agreement with 11.2 Acre Holding Company Ltd., a company related to Brian Lovig, to lease up to a maximum of 11.2 acres in the Kelowna, B.C. area for a term of ten years with an option to renew for another ten years. Annual base rent is $15,000 per acre used by the Company plus a percentage rent equal to 6% of the Company's gross revenue from business conducted at the leased premises. The property is secured as the location of the Company's future production facility once the medical cannabis application is approved by Health Canada. No rent was charged to the Company pursuant to this lease arrangement in the nine months ended December 31, 2017 and 2016.

Critical Accounting Estimates

During the period ended December 31, 2017, the Company had some accounting estimates. For detailed descriptions of significant accounting policies, readers are directed to the financial statements for the years ended March 31, 2017 and 2016 available at www.sedar.com.

Changes in Accounting Policies

The following standards and interpretations have been issued but are not yet effective:

- IFRS 16: Leases - provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 "Leases", and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet determined the impact of this standard on its consolidated financial statements.

Financial Instruments and other Instruments

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three-levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset and liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Outstanding Shares

As at the date of this MD&A, the Company had the following outstanding:

- 93,834,936 common shares
- 5,250,000 share options

Critical Risks and Uncertainties

Operating History

The Company does not have a record of achievement to be relied upon. The Company's operations are subject to all the risks inherent in the establishment of a new business enterprise, including a lack of operating history. The Company cannot be certain that its investment strategy or development of the Company's business will be successful. The likelihood of the Company's success must be considered considering the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Company fails to address any of those risks or difficulties adequately, business will likely suffer.

Competition

The earnings of the Company depend upon the Company's ability to further develop their facilities into efficient, effective growing, cultivating and harvesting operations. The growth strategy will be to branch out into other areas where there are opportunities to build facilities and acquire licenses. The legalization of cannabis continues to expand into more and more areas whereby the Company must be poised to take advantage of these emerging markets.

Other Matters

Legal proceedings:

On August 4, 2016, Armadillo Resources Ltd., a company related to the Company's former President and Chief Executive Officer and director, Mr. Les Kjosness, filed a small claims court notice of claim against the Company claiming unpaid office expense and fees totaling $16,176.

Contingent liabilities:

At the date of MD&A, management was unaware of any outstanding contingent liabilities relating to the Company's activities.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and the audited financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in MI 52-109.

Additional Information

Additional disclosure of the Company's, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com, or by requesting further information from the Company's head office in Kelowna, BC, Canada.

Disclosure Specifically Related to the United States Regulatory System

The Company is a U.S. Marijuana Issuer directly involved in the cultivation and distribution of cannabis in the States of Nevada and California and is a U.S. Marijuana Issuer with material ancillary involvement in the State of Washington.

The Company is involved in activities that, according to Staff Notice 51-352 of the Canadian Securities Administrators, would categorize the Company as a U.S. Marijuana Issuer with direct involvement in the cultivation and distribution of cannabis in the States of Nevada and California. Direct industry involvement arises when an issuer, or a subsidiary that it controls, is directly engaged in the cultivation or distribution of marijuana in accordance with a U.S. state license. The Company is considered a U.S. Marijuana Issuer with material ancillary involvement in the State of Washington as it acts as a landlord for a tenant who is directly involved in the U.S. marijuana industry.

The Company's business activities, while believed to be compliant with applicable U.S. state law and local law, are illegal under U.S. federal law.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law. The CSA classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. Although the Company believes that its business activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

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

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

On January 4, 2018, Attorney General Jeff Sessions rescinded the Cole Memo. In the Cole Memo, the DOJ asserted that it would not direct federal law enforcement agencies to prosecute those abiding by state laws allowing the use and distribution of cannabis. The rescission of the Cole Memo will shift federal policy such that federal prosecutors across the U.S. will have the discretion to prioritize resources as they see fit in order to enforce federal laws in states where cannabis is legalized. It still remains unclear how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis enforcement in the future. This could have an effect on the Company's U.S. cannabis interests, and the Company regularly monitors the activities of the current administration for evidence if the Company will be subject to federal enforcement.

The Company will have access to both public and private capital to support continuing operations

In the event that the Company faces adverse enforcement under U.S. federal law for its cannabis operations, the Company will have access to both public and private capital in order to support continuing operations.

The Company operates in Nevada and California and complies with licensing and regulatory requirements in Nevada and California

The Company operates in the States of Nevada and California and complies with all applicable licensing requirements and other regulations enacted in the States of Nevada and California. The Company has obtained a legal opinion regarding compliance with applicable state regulatory frameworks and has not obtained legal opinion regarding potential exposure and implications arising from U.S. federal law.

Nevada

In November 2016, Nevada voters approved Question 2 in a ballot initiative. Among other things, Question 2 makes it legal for adults over the age of 21 to use marijuana and to possess up to one ounce of marijuana flowers and one-eighth of an ounce of marijuana concentrates. Individuals are also permitted to grow up to six marijuana plants for personal use. In addition, Question 2 authorizes businesses to cultivate, process and distribute marijuana products under certain conditions. The Nevada Department of Taxation enacted regulations to implement Question 2 in the summer of 2017. Under the regulations, there are no residency requirements for marijuana establishment licensees.

There are five types of marijuana establishment licenses:

- **Cultivation Facility** – licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- **Distributor –** licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.
- **Product Manufacturing Facility –** licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.
- **Testing Facility** – licensed to test marijuana and marijuana products, including for potency and contaminants.
- **Retail Store** – licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

California

California has an existing medical marijuana law and voted to approve the "Adult Use of Marijuana Act" ("**AUMA**") to tax and regulate for all adults 21 years of age and older on November 8, 2016. California was the first state to pass medical marijuana in 1996, allowing for a not-for-profit patient/caregiver system, but there was no state licensing authority to oversee businesses that emerged. In September of 2015, the California legislature passed three bills collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MMRSA**"). Then in 2016, California voters passed "The Adult Use of Marijuana Act" ("**AUMA**") which legalizes marijuana for adults 21 years of age and older and creates a licensing system for commercial cannabis business. On June 27, 2017, Governor Brown signed the Senate Bill No. 94 into law. Senate Bill No.94 combines California's medical and adult-use cannabis systems into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture, via CalCannabis, will license cannabis cultivators; (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**"), will license cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), will license cannabis distributors, testing laboratories and retailers. MAUCRSA allows 20 different types of cannabis licenses across five different categories, which are:

- **Cultivation Facility** – licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- **Distributor –** licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.
- **Product Manufacturing Facility –** licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.
- **Testing Facility** – licensed to test marijuana and marijuana products, including for potency and contaminants.
- **Retail Store** – licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

Multiple agencies will oversee different aspects of the program and businesses will require a state license and local approval to operate. Although there is no limit on the number of state licenses, local governments can prohibit or otherwise regulate the number of medical cannabis businesses. California will begin licensing medical marijuana businesses at the state level under MAUCRSA in 2018. Until that time, political movement and medical marijuana business licensing will predominantly occur at the local level.

There are no residency requirements for medical or adult-use marijuana licensees under MAUCRSA. Existing medical marijuana collectives acting in compliance with local zoning ordinances and other state and local requirements on or before January 1, 2018 may continue their operations until licensed under MAUCRSA. An applicant under the MAUCRSA must obtain local approval and a state license. The state license approval process is not competitive, and localities are accepting licenses based on timelines within their individual ordinances. Localities may prohibit medical or adult-use marijuana business or limit the number of licenses offered in their jurisdiction. The Bureau of Cannabis Control, CalCannabis within the Department of Food and Agriculture, and Manufactured Cannabis Safety Branch within the Department of Public Health announced emergency licensing regulations for cannabis businesses on November 16, 2017 and the emergency regulations became effective on December 7, 2017.

The Company has a program for monitoring compliance with Nevada and California licensing and regulatory requirements on an going basis

The Company has a program for monitoring compliance with Nevada and California law related to U.S. Marijuana Issuers. The Company monitors its compliance with the relevant licensing and regulatory requirements on an ongoing basis and has internal compliance procedures. The Company has not engaged in any material non-compliance with the relevant licensing and regulatory requirements and has not received any material citations or notices of violation.