CSE - FORM 7

Monthly Progress Report – May 2019

Name of CSE Issuer: FSD Pharma Inc. (the ”Issuer”, "Company" or "FSD")

Trading Symbol: HUGE

Number of Outstanding Listed Securities: 1,403,320,972 Class B subordinate voting shares

Date: June 7, 2019

1. General Overview and Discussion

FSD Pharma Inc. through its wholly-owned subsidiary FV Pharma Inc. ("FV Pharma"), is a licensed producer of marijuana under the Access to Cannabis for Medical Purposes Regulations (“ACMPR”) having received its cultivation license in October 2017. In November 2018, the Company’s license under the ACMPR was migrated to the Cannabis Act and its regulations. The issuance of the new cannabis license includes the ability to sell cannabis to other licensed producers in accordance with the Cannabis Regulations. The Company also received licence amendments approving all of the remaining 25,000 square feet currently built out for additional grow operations.

On February 19, 2019, the Company announced that FV Pharma received its Standard Processing License (the “Processing License”). According to Health Canada’s new Cannabis Act regulations, the Processing License is required for any facility that is processing more than the equivalent of 600 kg of dried flowers per year. FV Pharma later received its Sale for Medical Purposes license to sell cannabis under the Cannabis Act (Canada) on April 18, 2019. The license allows the current FSD facility to supply and sell cannabis products.

The Company is focused on the development of the highest quality indoor grown, pharmaceutical grade cannabis and on the research and development of novel cannabinoid-based treatments for several central nervous system disorders, including chronic pain, fibromyalgia and irritable bowel syndrome.

Headquartered at the former Kraft plant in Cobourg, Ontario, management's mission is to transform the facility into the largest hydroponic indoor cannabis facility in the world. The Company intends to target all legal aspects of the cannabis industry, including cultivation, processing, manufacturing, extracts and research and development.

2. Activities of Management

Agreement with Solarvest BioEnergy Inc.

On May 7, 2019, the Company announced that they signed a definitive collaborative research and development agreement with Solarvest BioEnergy Inc. (“Solarvest”). Under the agreement, Solarvest will conduct research using its algal expression technology to develop pharmaceutical-grade cannabinoids. FSD and Solarvest have made investments into one another and FSD has the option to enter into an exclusive license arrangement over a subset of the project and receive royalty rights over all of the products that result from the project.

Research Agreement: CBD Research Project
Solarvest will carry out a research project using its algal expression system for the purpose of developing a proof of concept that algae can express pharmaceutical-grade cannabinoids. FSD and Solarvest have allocated an initial budget of $1,000,000 for the CBD research project, over a two-year period, and created a joint scientific review committee to assess progress of the project against budgets and timelines.

License and Royalties
Upon successful development of proof of concept, Solarvest and FSD intend to enter into a license agreement under which Solarvest will grant FSD an exclusive, world-wide license over any use of prescription drugs that can treat diseases affecting the central nervous system. In consideration for the license, FSD will be required to pay Solarvest a royalty equal to 5% of the net profits from the sale of such products as well as reimburse Solarvest for the cost of production.

In addition to the licensing arrangement, Solarvest will pay a royalty fee to FSD on the sale or licensing of any products that result from the project, other than the FSD licensed indications, equal to 5% of the net sales or net license fees. Once Solarvest has paid an aggregate of $3,000,000 in royalty fees, the royalty percentage will be reduced to 3%.

Mutual Investments
Pursuant to the agreement, the two companies have made the following investments into one another:

a) FSD has issued 10,000,000 class B subordinate voting shares in the capital of FSD to Solarvest at a price of $0.30 per FSD share;

b) Solarvest has issued 3,000,000 units of Solarvest units to FSD at a price of $0.20 per unit. Each unit is comprised of one common share in the capital of Solarvest and one warrant, with each Solarvest warrant exercisable into one additional Solarvest share at an exercise price of $0.25 for a period of two years following the issuance; and

c) Solarvest has issued a convertible debenture to FSD in the principal amount of $2,400,000. The debenture has a term of five years, bears interest of 3 percent per annum, and is convertible into shares at a conversion price of $1.00 per share, provided that FSD will be required to convert the debenture should Solarvest shares close at a price of at least $1.20 for a period of 20 consecutive trading days.

Share Exchange Agreement with Prismic Pharmaceuticals Inc.

The Company and Prismic Pharmaceuticals Inc. (“Prismic”), a US-based specialty R&D pharmaceutical company, entered into a securities exchange agreement dated April 22 2019 (the “Agreement”), pursuant to which the Company agreed to acquire all of the outstanding securities of Prismic (the “Prismic Transaction”).

Pursuant to the Prismic Transaction, the Company will acquire all outstanding common and preferred shares of Prismic for an aggregate purchase price of US$17.5 million (approximately $23.4 million based on an exchange rate of US$1 to CAD$1.3349), to be satisfied by the issuance of an aggregate of 102.7 million Class B Shares at a deemed price of $0.2275 (US$0.1704) per Class B Share.

In addition, the Company agreed to assume up to US$4.0 million of outstanding Prismic liabilities on terms to be mutually agreed by the two companies, some of which may, potentially, be settled by the issuance of additional Class B Shares. All of the outstanding Prismic stock options and warrants will become exercisable into Class B Shares, with the number and exercise price of such securities to be adjusted in accordance with the Prismic Transaction’s exchange ratio. The Class B Shares to be issued to the Prismic shareholders will be deposited into escrow at the closing of the Prismic Transaction, and will be subject to an 18-month staggered escrow release.

The Prismic Transaction has not yet closed as of the date hereof.

Corporate updates

Scientific Advisory Board

On May 20, 2019, the Company announced that a trio of world-renowned experts have joined the Company's Scientific Advisory Board. The new members include:

Daniel Piomelli, Ph.D. - Dr. Piomelli is the Louise Turner Arnold Chair in Neurosciences and Distinguished Professor of Anatomy and Neurobiology, Pharmacology and Biological Chemistry at the University of California, Irvine, where he is also the Director of the Center for the Study of Cannabis. He has authored more than 400 peer-reviewed articles in high-impact journals, three full-length books and 34 patents and founded the Department of Drug Discovery and Development at the Italian Institute of Technology in Genoa, Italy, which he directed from 2007 to 2016. He is Editor-in-Chief of Cannabis and Cannabinoid Research, the only peer-reviewed journal entirely dedicated to the scientific, medical, and psychosocial exploration of clinical cannabis, cannabinoids, and the endocannabinoid system.

Ryan Vandrey, Ph.D. - Dr. Vandrey is an experimental psychologist and an Associate Professor at the Behavioral Pharmacology Research Unit at Johns Hopkins University. Dr. Vandrey's research focuses primarily on the impact of route of administration, dose, and chemical composition of cannabis products on resultant drug effects and pharmacokinetics. In addition, Dr. Vandrey has been involved with a broad range of studies related to the risks and benefits of medicinal cannabis use, the effects of cannabis use on sleep, cannabis withdrawal and the treatment of Cannabis Use Disorder, cannabis product testing, and developing measures of cannabis use behavior.

David Casarett, MD, MA - Dr. Casarett is a professor of Medicine at Duke University and the Chief of Palliative Care for Duke Health where he directs the Duke Center for Palliative Care. He is the author of more than 140 articles in journals including The Journal of the American Medical Association and The New England Journal of Medicine. His writing has appeared in national publications including the New York Times, and Wired. Dr. Casarett is also the author of three non-fiction books, the most recent of which was Stoned: A Doctor's Case for Medical Marijuana, published in 2015 by Penguin Random House. He is the principal of Cannabis Outcomes, a full-service research and consulting group focused on bringing methodologic expertise to medical cannabis research and care delivery. His work in the cannabis space has included founding roles in startups that focus on growing/dispensing (Curio Wellness; CleverLeaves), genetic testing (MelixGx), data tracking (Evio Labs), and research (Zelda; Clinicann).

The SAB will continue to guide FSD Pharma in emerging as a leader in the field of cannabinoid therapeutics. The Board is led by chairman Charles V. Pollack, Jr., M.A., M.D., FACEP, FAAEM, FAHA, FACC, FESC, FCPP, an international leader in emergency medicine and founder of The Lambert Center for the Study of Medicinal Cannabis and Hemp at Thomas Jefferson University. The Board will continue to bring on well-known medical professionals with extensive research, academic and industry experience.

Biosciences Division

On May 28, 2019, the Company announced the appointment of Edward J. Brennan, Jr., M.D., FACS, as President of its biosciences division. Dr. Brennan has more than 25 years' experience in leadership roles at major pharmaceutical companies and clinical research organizations.

Dr. Brennan has extensive experience in all phases of clinical development across multiple therapeutic areas. As a Medical Director with Wyeth-Ayerst Research and GlaxoSmithKline, he led teams through ten IND applications and advanced multiple compounds from pre-candidate selection (proof of concept) through clinical trial management and approval. At GSK, he was also responsible for coordinating all clinical activities for external partners within its Center of Excellence in External Drug Discovery. He next founded IndiPharm, a full-service global CRO, that was eventually acquired by private equity company, Velocity Fund Partners.

Dr. Brennan received his undergraduate Bachelor of Science Degree in Pharmacy from the Philadelphia College of Pharmacy and Science. He went on to study Medicine at the Royal College of Surgeons in Ireland before receiving his medical degree from the Temple University School of Medicine.

3. New Exploration Activities

Not applicable.

4. Exploration Activities - Amended or Abandoned

Not applicable.

5. New Business Relationships

None.

6. Expiry or Termination of Contracts or Financing Agreements

None.

7. Acquisition or Disposition of Assets

Not applicable.

8. Acquisition or Loss of Customers

Not applicable.

9. New Developments or Effects on Intangible Assets

Not applicable.

10. Employee Hirings and Terminations

None.

11. Labour Disputes and Resolutions

Not applicable.

12. Legal Proceedings

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at period end, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or

proceedings that differs from these estimates, the difference will be accounted for as a charge to profit or loss in that period.

Environmental

Management believes that there are no probable environmental related liabilities that will have a material adverse effect on the financial position or operating results of the Company.

Claims from suppliers

- A dismissed contractor commenced a lien action combined with a breach of contract action in Cobourg Superior Court in early 2019 claiming approximately $1.7 million in various purported damages, with a claim for lien component of $188,309 which claim was registered November 26, 2018. The Company will defend the action and has taken steps to obtain particulars and inspect documents of the plaintiff which remain unaddressed to date. The Company has paid monies into court totalling $235,387 to vacate the lien from title which funds stand as security for the lien claim and its costs in Cobourg Superior Court of Justice file no. CV-19-0002. As such, full provision for the lien claim and security for costs has been made; however, the 2019 breach of contract claim has not been provisioned as the Company intends to defend itself from this claim.

- A creditor issued a claim alleging non-payment of accounts totalling $73,007. The Company has filed a Notice of Intent to Defend and its Demand for Particulars. Legal proceedings continue and the ultimate outcome of the matter cannot be determined at this time. No provision has been recorded for this matter as at March 31 2019.

- Counsel acting on behalf of a creditor issued a letter relating to unpaid accounts of $296,908 in the aggregate with respect to stainless steel table manufacturing. The Company withheld payments to the supplier until anomalies with the tables were rectified. After negotiation, the Company and the supplier agreed to payments over a period of time to settle the indebtedness after the anomalies were rectified. As at this date, the anomalies have not been fully rectified and no payments have been made. Negotiations with the creditor continue and the ultimate outcome of the matter cannot be determined at this time. No provision has been recorded for this matter as at March 31 2019.

Former employee

FSD hired an individual by way of employment agreement dated November 11, 2018. The individual's employment was subsequently terminated in the probationary period due to non-performance/cause on February 5 2019. The individual retained legal counsel in or around February 15 2019 demanding that he be provided (i) unpaid wages; (ii) unpaid holiday pay, (iii) payment for wrongful dismissal (one week) and (iv) breach of contract. To date, the former has not filed a claim, nor has FSD made any payments to him.

Class Action

On February 22 2019, a shareholder in FSD commenced a proposed class proceeding against the Company by issuing a statement of claim in the Ontario Superior Court. Amongst other causes of action, the individual seeks leave to bring a claim pursuant to s. 138 of the Ontario Securities Act. To date, the individual has not taken any further steps to advance the litigation or certify the class.

Auxly Cannabis Group Inc.

On March 3 2018, FSD entered into a Definitive Strategic Alliance and Streaming Agreement (the "Auxly Agreement") with Auxly Cannabis Group Inc. ("Auxly"). On February 6 2019, the Company sent Auxly a Notice of Default, thereby terminating the Auxly Agreement effective immediately. Later that same day,

Auxly sent a Notice of Default to the Company in response. To date, neither party has taken further steps.

To fund the development of the buildout of the Company's growing operations, Auxly purchased 7,500,000 Class B shares for the aggregate of $7,500,000 from the Company's treasury by way of private placement, which funds were placed in trust to be spent on construction and development costs. The funds were placed in a trust account to be administered by Auxly. Due to the termination and subsequent negotiations, it is indeterminable at this point as to the amount, if any, of these funds will be released to the Company. As a result, the Company entered a provision for loss against the funds and should any funds be released to the Company, those amounts will be recognized in future periods as gains on recovery.

13. Indebtedness Incurred or Repaid

The Company did not incur or repay any indebtedness other than in the normal course of operations.

14. Securities Issued and Options or Warrants Granted

Security	Number Issued	Details of Issuance	Use of Proceeds

15. Loans to or by Related Parties

The Company does not have any loans to or by Related Parties other than in the normal course of operations.

16. Changes in Officers, Directors or Committee Members

There were no changes in the Company's directors and senior officers in May. As at May 31 2019, the directors and senior officers of the Company were as follows:

Name	Position(s)
Dr. Raza Bokhari	Co-Chairman, Interim Chief Executive Officer and Director
Donal Carroll	Chief Financial Officer
Andrew Durkacz	Co-Chairman and Director
Gerry Goldberg (a)	Director
Dr. Sara May	President of FV Pharma
Zeeshan Saeed (a)	President and Director
David Urban (a)	Director

(a) Member of the Audit Committee

17. Trends Impacting the Company

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and should be read in conjunction with detailed information appearing elsewhere. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of the Company, along with all other information set forth elsewhere. An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

Reliance on Licences

The continuation and development of the Company's business dependent on the good standing of the Licence and any other permits or approvals required to engage in such activities and upon adhering to all regulatory requirements related to such activities.

Failure to comply with the requirements of the Licences or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes it will meet the requirements of the *Cannabis Act* and Cannabis Regulations for future extensions or renewals of its Licence, there can be no guarantee that Health Canada will extend or renew the Licence or that, if extended or renewed, the Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence or should it renew the Licence on different terms, the business, financial condition and results of the operation of the Company would be materially and adversely affected.

Limited Operating History

While FV Pharma was incorporated and began carrying on business in 2011 it has yet to generate any revenue. Other than the Facility, the Company has no significant assets or other financial resources. The Company is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Volatile Market Price for the Class B Shares

The market price for the Company's Class B Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;

- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Class B Shares;
- sales or perceived sales of additional Class B Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital
- commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of cannabis-producing and cannabis-related companies that are public issuers in Canada. Accordingly, the market price of the Class B Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of Class B Shares may be materially adversely affected.

Dual Class Share Structure

The Company's dual class structure has the effect of concentrating voting control and the ability to influence corporate matters with those shareholders. Class A Shares have 276,660 votes per share and Class B Shares have 1 vote per share. Shareholders who hold Class A Shares together hold approximately 78% of the voting power of the Company's outstanding voting shares and therefore have significant influence over management and affairs and over all matters requiring shareholder approval.

In addition, because of the voting ratio between Class A Shares and Class B Shares, the holders of Class A Shares collectively continue to control a majority of the combined voting power of the voting shares even where the Class A Shares represent a substantially reduced percentage of the total outstanding shares. The different voting rights could diminish the value of the Class B Shares to the extent that investors or any potential future purchasers of the Class B Shares attribute value to the superior voting or other rights of the Class A Shares. Holders of the Class B Shares will only have a right to vote, as a class, in limited circumstances as described in its constating documents.

The concentrated voting control of holders of Class A Shares limits the ability of Class B Shareholders to influence corporate matters and all matters requiring shareholder approval, including the election of directors as well as with respect to decisions regarding amendment of the Company's share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions

As a result, holders of Class A Shares have the ability to influence many matters affecting us and actions may be taken that our Class B shareholders may not view as beneficial. The market price of our Class B Shares could be adversely affected due to the significant influence and voting power of the holders of Class A Shares. Additionally, the significant voting interest of holders of Class A Shares may discourage

transactions involving a change of control, including transactions in which an investor, as a holder of the Class B Shares, might otherwise receive a premium for the Class B Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Class A Shares.

Future transfers by holders of Class A Shares will generally, subject to certain exceptions set out in the Company's articles, result in those shares converting to Class B Shares, which will have the effect, over time, of increasing the relative voting power of those holders of Class A Shares who retain their shares. Such holders could, in the future, control a significant percentage of the combined voting power of Class A Shares and Class B Shares.

Each of the Company's directors and officers owes a fiduciary duty to the Company and must act honestly and in good faith with a view to the best interests of Company. However, any director and/or officer that is a shareholder, even a controlling shareholder, is entitled to vote its shares in its own interests, which may not always be in the interests of the Company's shareholders generally. The holders of the Class A Shares may also take actions that other shareholders do not view as beneficial, which may adversely affect the Company's results of operations and financial condition and cause the value of an investment to decline.

Risks Inherent in an Agricultural Business

The Company's business may, in the future, involve the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. In addition, if the Company cannot successfully develop its products, or if the Company experiences difficulties in the development process, such as quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would affect its ability to successfully enter the market.

Energy Costs

The Company's cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

Factors Related to the Facility Which May Prevent Realization of Business Objectives

Any adverse changes affecting the development or construction of the Facility and commencement of production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Facility by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; or
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the costs of commencing production may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

In addition, any potential expansion of the Facility is subject to Health Canada regulatory approvals. While management does not anticipate significant issues receiving any necessary approvals in the future, the delay or denial of such approvals may have a material adverse impact on the business and may result in the Company not meeting anticipated or future demand when it arises.

Reliance on Management

Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Company is currently in good standing with all high level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Company Will Be an Entrant Engaging in a New Industry

The medical and recreational cannabis industry is fairly new. There can be no assurance that an active and liquid market for the Class B Shares of the Company will continue and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be

given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Reliance on a Single Facility

The Company's proposed activities and resources are primarily focused on the Facility. The Company's operations and the conditions of the Facility is, and will be, subject to hazards inherent in the cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the Facility. Any adverse changes or developments affecting the Facility could have a material and adverse effect on the Company's business, financial condition and prospects.

Expansion of the Facility

Any expansion of the Facility is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond the Company's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from any expansion of operations at the existing facility, which in turn may affect the Company's business, prospects, financial condition and results of operations.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast future projected 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.

Additional Financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. 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 favourable to the Company.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. Such licenses, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures and has implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Class B Shares.

Acquisition Strategy Risks

The Company has made and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-acquisition business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

Liquidity

There can be no assurance that an active trading market in the shares of the Company will be sustained. There is a significant liquidity risk associated with an investment in shares of the Company.

Dilution

The Company may issue equity securities to finance its activities, including future acquisitions. If the Company were to issue Class B Shares, existing holders of such shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Company's Class B Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

Conflicts of Interest

Certain directors and officers of the Company may become, directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the Company. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the OBCA.

In addition, the Company's directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Dividends

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company's businesses. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Company may deem relevant. As a result, investors may not receive any return on investment in Class B Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for Class B Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Interrelation of Business Components

If any components of the Company’s business plan are missing or incomplete, the Company may not be able to execute its entire business plan.

Technology Risk

Technological advances are happening at ever-increasing rates. The Company believes that there will be a market for its products for the foreseeable future. However, there is no guarantee that new technologies will not largely supplant the need for the Company’s products in certain or all industries at some indeterminate point in the future.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it executes on its business plans. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Class B Shares.

Risks Related to the Medical and Recreational Cannabis Industry

The Company is Not Licenced to Sell Medical Cannabis Under the Cannabis Act

On October 13 2017, FV Pharma received its Licence to cultivate cannabis from Health Canada under the ACMPR, and effective November 8 2018, the Licence migrated to equivalent licenses under the *Cannabis Act* regime. Effective April 18 2019, FV Pharma received its Sale for Medical Purposes Licence to supply and sell cannabis products under the *Cannabis Act;* however, the Sales for Medical Purpose Licence does not currently permit FV Pharma to sell dried and fresh cannabis flower.

FV Pharma's ability to sell dried and fresh cannabis flower to medical patients in Canada is dependent on it obtaining an amendment to its License from Health Canada and there can be no assurance that FV Pharma will obtain such amendment. In addition, the timeframes and costs required for FV Pharma or any applicant for a Licence under the *Cannabis Act* to build the infrastructure required, to apply for, and to receive such a sales licence can be significant. The current backlog of applications from other licensees with Health Canada and the anticipated timeframe for processing and approval of any application for a licence to sell medical cannabis cannot be reliably determined at this time.

Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market that is very competitive and evolving rapidly. The proposed activities of the Company will be subject to regulation by governmental authorities, including, but not limited to, Health Canada's Office of Controlled Substances. The Company's business objectives are, in part, contingent upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce or sell medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, more stringent implementation thereof or other unanticipated events could have a material adverse impact on the business, financial condition and operating results of Company.

Governmental Regulation

The business and activities of the Company are heavily regulated. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of

medical marijuana, and also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

To the knowledge of management, the Company is currently in compliance under the *Cannabis Act.* Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on its licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way it may have a material adverse effect on our business, financial condition and results of operations.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect the Company's businesses, financial conditions and results of operation.

Licensing Requirements under the Cannabis Act

The market for cannabis (including medical and recreational cannabis) in Canada is regulated by the *Cannabis Act,* the Narcotic Control Regulations, and other applicable law. Health Canada is the primary regulator. The *Cannabis Act* aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

The *Cannabis Act* will subject the Company to stringent ongoing compliance and reporting requirements. Failure to comply with the requirements of its Licence, Processing Licence or Sales for Medical Purposes Licence or any failure to maintain the Licence, Processing Licence or Sales for Medical Purposes Licence could have a material adverse impact on the business, financial condition and operating results of the Company. Furthermore, the Licence has an expiry date of October 13 2020. Upon expiration of the Licence, the Company will be required to submit an application for renewal to Health Canada containing information prescribed under the Cannabis Act and any such renewal cannot be assured.

Applicants and Licensed Producers are required to demonstrate compliance with regulatory requirements, such as quality control standards, record-keeping of all activities as well as inventories of cannabis, and physical security measures to protect against potential diversion. Licensed producers are also required to employ qualified quality assurance personnel who ultimately approve the quality of the product prior to making it available for sale. This approval process includes testing (and validation of testing) for microbial and chemical contaminants to ensure that they are within established tolerance limits for herbal medicines for human consumption as required under the *Food and Drugs Act*, and determining the percentage by weight of the two active ingredients of cannabis, delta-9-Tetrahydrocannabinol and cannabidiol.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 favourable to the medical cannabis market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Restrictions on Sales and Marketing

The medical and recreational cannabis industries are in their early development stages and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's businesses, operating results and financial conditions.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces 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. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.

Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings

that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of the operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

The markets for the medical and recreational cannabis products appear to be sizable and Health Canada has only issued a limited number of licences under the former ACMPR regime and the new *Cannabis Act* regime to produce and sell medical and recreational cannabis. There are several hundred existing applicants for licences in queue. The number of licences issued could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, as of the date hereof there were 179 licences granted under the *Cannabis Act.* If the number of users of medical and recreational cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. The Company expects significant competition from other companies applying for production licences that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company. If the Company and its subsidiaries are not successful in investing sufficient resources in these areas, their ability to compete in the market may be adversely affected, which in turn could materially and adversely affect the Company’s business, financial conditions and results of operation.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Vulnerability to Rising Energy Costs

The Company’s cannabis-growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Results from Future Clinical Research

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of CBD and THC. Although the Company believes that the articles, reports and studies support its beliefs regarding the therapeutic benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these

risks, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing or negative conclusions regarding the facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Skilled Workers and Equipment

The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

Co-Investment Risk

The Company may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities. These parties may have different interests or superior rights to those of the Company. Although it is the general intent of the Company to retain control and superior rights associated with its investments, under certain circumstances, it may be possible that the Company relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In those cases where the Company does maintain a control position with respect to its investments, the Company's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third party partners or co-investors.

Regulatory or Agency Proceedings, Investigations and Audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Difficulty to Forecast & Reliability of Data

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. 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, financial condition or prospects of the Company.

In addition, as a result of recent and ongoing regulatory and policy changes in the medical and recreational cannabis industry, the market data available may be limited and unreliable. The research data collected by the Company will be an integral part of its business for the production of research-based

reports. Market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, may be based on assumptions from limited and unreliable market data. If there are issues with the data's integrity or security, the data and research based reports could be considered ineffective or unreliable.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry may attempt to dominate the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Transportation Risks

Due to the perishable nature of its proposed products, the Company will depend on fast and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company.

Market Unpredictability

The current medical and recreational cannabis industry is relatively undeveloped. There is no certainty that the market of patients or recreational users will expand as sufficiently as industry analysts predict. In particular, the federal legalization of the recreational use of cannabis, which came into effect on October 17 2018 will have a significant impact on operations. It is unclear at this point what the form of such a market will be and whether the Company's participation in it will be permitted or restricted by any of the as-yet unidentified federal, provincial and municipal rules, by-laws and regulations.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the CSE that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CSE Requirements (as defined in CSE Policy 1).

4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: June 7, 2019

(signed) Donal Carroll

Donal Carroll
Chief Financial Officer

Issuer Details *Name of Issuer* FSD Pharma Inc.	*For Month End* May 2019	*Date of Report (YY/MM/DD)* 2019/06/07
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