FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: TILT HOLDINGS INC. (the "Issuer").

Trading Symbol: TILT

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

Except for the information contained in no. 4 of this section, the supplementary information is contained in the attached Schedule A: Financial Statements.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Batzofin, Jane – Director

Caloia, David – Chief Financial Officer

Coleman, Mark – Director

Conder, Tim – Chief Operating Officer and Director

Horowitz, Marshall – General Counsel

Milton, Joel – Senior Vice President, Software and Services and Director

Scatterday, Mark – Chief Executive Officer and Director

Smith, Gary – Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

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 Quarterly Listing Statement.

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 Exchange 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 Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 20, 2019.

David Caloia
Name of Director or Senior Officer

(signed) "David Caloia"
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer TILT Holdings Inc.	For Quarter Ended September 30, 2019	Date of Report YY/MM/D November 20, 2019
Issuer Address 745 Thurlow Street, #2400		
City/Province/Postal Code Vancouver, British Columbia, V6C 0C5	Issuer Fax No. ( )	Issuer Telephone No. (617) 956-6736
Contact Name David Caloia	Contact Position Chief Financial Officer	Contact Telephone No. (617) 956-6736
Contact Email Address investors@tiltholdings.com	Web Site Address www.tiltholdings.com	

SCHEDULE A: FINANCIAL STATEMENTS

(See Attached)

TILT HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in United States Dollars Unless Otherwise Stated)

Notice to Reader

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(2) issued by the Canadian Securities Administrators, if the auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by the auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim periods ended September 30, 2019 and 2018 have been prepared in accordance with IFRS and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of the unaudited condensed interim financial statements for the interim periods ended September 30, 2019 and 2018 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

TILT HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in United States Dollars Unless Otherwise Stated)

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TILT HOLDINGS, INC.
Condensed Interim Consolidated Statement of Financial Position
September 30, 2019 and December 31, 2018 (Unaudited)
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Note	**2019**	**Restated - see Note 22 2018**
ASSETS			
Current assets:			
Cash and cash equivalents		$ 3,577,936	$ 97,246,666
Trade receivables and others, net	4	18,295,403	2,115,161
Biological assets	5	8,624,002	1,867,656
Inventories	6	39,448,434	6,666,645
Prepaid expenses and deposits		6,855,433	9,654,210
Loans receivable, short-term	12	10,841,013	7,927,219
Due from related parties	18	470,443	470,443
Total current assets		**88,112,664**	**125,948,000**
Non-current assets:			
Property, plant and equipment, net	7	82,389,045	50,507,226
Intangible assets, net	10	202,917,692	19,964,224
Investments		1,000,000	-
Right-of-use assets	8	23,287,826	-
Loans receivable, long-term	12	21,338,790	17,471,181
Goodwill	3,11	139,302,408	7,345,518
Total non-current assets		**470,235,761**	**95,288,149**
TOTAL ASSETS		**$ 558,348,425**	**$ 221,236,149**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable and accrued liabilities		71,275,439	$ 14,447,853
Income tax payable		730,817	17,324
Deferred revenue		1,231,828	195,632
Lease liability, short-term	16	3,092,869	-
Deferred tax liability		51,021,180	1,711,171
Note payable, net	15	18,803,849	-
Total current liabilities		**146,155,982**	**16,371,980**
Non-current liabilities:			
Lease liability, long-term	16	21,960,059	-
Total Liabilities		**$ 168,116,041**	**$ 16,371,980**
Shareholders' Equity			
Share capital	13	$ 831,589,280	$ 620,577,014
Warrants reserve	13	11,744,429	12,345,728
Share options reserve	13	106,490,157	43,053,718
Subscriptions received (receivable)	13	-	495,000
Contribution to capital	13	21,043,514	91,169,000
Accumulated other comprehensive income (loss)		1,706,159	(2,339,810)
Accumulated deficit		(634,723,725)	(560,436,481)
Non-controlling interests		52,382,570	-
Total Shareholders' Equity		**$ 390,232,384**	**$ 204,864,169**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 558,348,425**	**$ 221,236,149**
Commitments and Contingencies	17		
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Approved and authorized for issue on behalf of the Shareholders on November 20, 2019:

Mark Scatterday | David Caloia

Mark Scatterday, Interim Chief Executive Officer | David Caloia, Chief Financial Officer

See accompanying notes

TILT HOLDINGS, INC.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Nine Months Ended September 30, 2019 and 2018 (Unaudited)
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Note	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018 Restated - see Note 22	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018 Restated - see Note 22
Revenue:					
Sales		$ 46,123,322	$ 565,884	$ 119,508,466	$ 565,884
Production costs expensed to cost of sales		(32,199,451)	(1,531,111)	(88,723,926)	(1,531,111)
Unrealized gain (loss) on changes in fair value of biological assets	5	8,075,606	2,749,686	28,209,104	2,749,686
Fair value changes in biological assets included in inventory sold		(10,503,095)	(1,625,589)	(14,442,258)	(1,625,589)
Gross profit		**11,496,382**	158,870	**44,551,386**	158,870
Operating expenses:					
Stock compensation expense		(37,355,753)	-	72,713,726	-
Depreciation and amortization expense		5,987,397	650,250	21,212,244	705,953
Wages and benefits		7,352,863	2,186,290	20,583,117	4,376,636
Professional fees		1,494,499	5,284,134	10,906,756	9,513,862
Business acquisition expense		-	-	1,420,555	-
Insurance		(195,265)	77,700	2,052,391	152,559
Advertising and marketing		535,708	75,862	1,707,497	195,415
Travel		369,852	710,557	1,527,859	1,283,184
Administrative and other expense		3,152,911	0	7,647,184	987,694
Total operating expenses		**(18,657,788)**	**8,984,793**	**139,771,329**	**17,215,303**
Income (loss) from operations		**30,154,170**	**(8,825,922)**	**(95,219,943)**	**(17,056,432)**
Other income (expenses):					
Interest income		823,448	627,210	2,437,169	1,416,187
Interest expense		(5,750,210)	(2,797)	(9,260,381)	(3,596)
Other income (expense)		1,195,476	(2,795)	2,647,069	(12,192)
Total other income (expenses)		**(3,731,286)**	**621,618**	**(4,176,143)**	**1,400,399**
Income (loss) before income taxes		**26,422,884**	**(8,204,304)**	**(99,396,086)**	**(15,656,033)**
Income taxes					
Provision for income taxes		(290,233)	-	(1,306,960)	-
Net income (loss)		**26,132,651**	**(8,204,304)**	**(100,703,046)**	**(15,656,033)**
Unrealized foreign exchange income on translation		240,090	-	4,045,969	-
Comprehensive income (loss)		**$ 26,372,741**	**$ (8,204,304)**	**$ (96,657,077)**	**$ (15,656,033)**
Comprehensive income (loss) attributable to:					
TILT Holdings Inc.		**$ 34,797,889**	**$ (6,539,982)**	**$ (70,035,007)**	**$ (12,480,055)**
Non-controlling interests		**$ (8,425,148)**	**$ (1,664,323)**	**$ (26,622,070)**	**$ (3,175,978)**

See accompanying notes.

TILT HOLDINGS, INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Nine Months Ended September 30, 2019 and 2018 (Unaudited)
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

		Number of Shares			$ Amount			
	Note	Common Shares	Compressed Shares	Number of Units	Common Shares	Compressed Shares	Jimmy Jang, L.P. Shares	Total
Balance - January 1, 2018		-	-	-	-	-	-	-
Net and comprehensive loss for the year		-	-		-	-	-	-
Balance - September 30, 2018		-	-	-	-	-	-	-
Balance - January 1, 2019		**91,816,380**	**1,835,303**	**-**	**$ 257,409,418**	**$ 363,167,596**	**$ -**	**$ 620,577,014**
Acquisition of Jupiter	*3*			53,912,143			137,001,000	137,001,000
Acquisition of Blackbird	*3*		161,543			45,000,000		45,000,000
Acquisition of Standard Farms	*3*	11,090,427			28,000,000			28,000,000
Conversion of compressed shares to common shares		143,864,500	(1,438,645)		295,044,645	(295,044,645)		-
Shares issued - private placement	*13*	128,476			348,978			348,978
Options exercised	*13*	394,699	6,445		79,613	226,275		305,888
Warrants converted to shares	*13*	396,616						
Share-based compensation	*13*							
Shares issued in exchange of non-controlling interest		330,000	3,300		178,200	178,200		356,400
Warrants issued as severance								
Comprehensive income (loss) for the year								
Balance - September 30, 2019		**248,021,098**	**567,946**	**53,912,143**	**$ 581,060,854**	**$ 113,527,426**	**$ 137,001,000**	**$ 831,589,280**

		Subscriptions Received (Receivable)	Contribution to Capital	Reserves		Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
				Options	Warrants				
Balance - January 1, 2018		$ -	$ -	$ -	$ -	$ -	$ -	**$ (4,133,202)**	**$ (4,133,202)**
Transfer of membership interest from related entity - ACRG								(1,260,466)	(1,260,466)
Opening balance of non-controlling interests from from consolidation - CAC						(4,923,776)			(4,923,776)
Transfer of membership interest from not-for-profit entity-CAC						9,520,950		(9,520,950)	-
Share-based compensation								2,624,797	2,624,797
Net and comprehensive loss for the year						(3,175,978)		(12,480,055)	(15,656,033)
Balance - September 30, 2018		-	-	-	-	1,421,196	-	**(24,769,876)**	**(23,348,680)**
Balance - January 1, 2019		**495,000**	**91,169,000**	**43,053,718**	**12,345,728**	**-**	**(2,339,810)**	**(560,436,481)**	**204,864,169**
Acquisition of Jupiter	*3*		(79,154,772)			79,154,772			137,001,000
Acquisition of Blackbird	*3*								45,000,000
Acquisition of Standard Farms	*3*								28,000,000
Conversion of compressed shares to common shares									-
Shares issued - private placement	*13*	(495,000)			146,022				-
Options exercised	*13*		9,029,286	(9,037,168)					298,006
Warrants converted to shares	*13*				(1,478,725)				(1,478,725)
Share-based compensation	*13*			72,473,607	240,119				72,713,726
Shares issued in exchange of non-controlling interest						(150,132)		(206,268)	-
Warrants issued as severance	*13*				491,285				491,285
Comprehensive income (loss) for the year						(26,622,070)	4,045,969	(74,080,976)	(96,657,077)
Balance - September 30, 2019		$ -	**$ 21,043,514**	**$ 106,490,157**	**$ 11,744,429**	**$ 52,382,570**	**$ 1,706,159**	**$ (634,723,725)**	**$ 390,232,384**

See accompanying notes.

TILT HOLDINGS, INC.
Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2019 and 2018 (Unaudited)
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Nine Months Ended September	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (100,703,046)	$ (16,266,004)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of assets		(8,000)
Depreciation and amortization expense	22,552,816	858,074
Change in allowance for doubtful accounts	(50,126)	-
Unrealized gain on changes in fair value of biological assets	(28,209,104)	(1,330,348)
Changes in fair value of inventory sold	14,442,258	-
Interest income	(2,437,169)	-
Deferred tax liability	(538,055)	-
Stock compensation expense	72,713,726	2,624,797
Accretion on original issued discount loans	3,136,770	-
Net change in working capital items, net of effect of acquisitions:		
Restricted cash escrow	-	(1,192,980)
Trade receivables and others, net	(6,272,570)	-
Biological assets	22,098,135	(1,588,503)
Inventories	(17,785,097)	(5,256,994)
Prepaid expenses and deposits	8,022,527	297,893
Prepaid income taxes	-	25,314
Accounts payable and accrued liabilities	7,209,444	1,886,049
Due from related parties	-	(191,656)
Income tax payable	713,493	-
Deferred tax asset	-	(60,000)
Deferred revenue	(6,680,132)	-
Deferred rent	(628,002)	153,527
Other assets	-	(327,171)
Net cash used in operating activities	**(12,414,132)**	**(20,376,002)**
Cash flows from investing activities:		
Purchase of property, plant and equipment, net of effect of acquisitions	(25,505,493)	(10,973,741)
Advances to unrelated entities	-	(3,542,987)
Increase in loan receivable	(9,218,993)	-
Investments	(1,000,000)	-
Net cash inflow from consolidation	-	251,174
Net cash inflow from acquisitions	896,531	128,291
Acquisition goodwill		(467,777)
Cash paid for acquisition (Note 3)	(58,144,444)	-
Purchase (addition of) intangible asset	(1,753,141)	(2,731,379)
Net cash used in investing activities	**(94,725,540)**	**(17,336,419)**
Cash flows from financing activities:		
Payments on lease obligations	(1,773,373)	(5,862)
Repayments of loans	-	(10,616,475)
Debt issuance costs	(998,760)	-
Proceeds from loans	16,000,000	-
Loans from related parties	243,075	50,902,986
Net cash provided by financing activities	**13,470,942**	**40,280,649**
Net change in cash and cash equivalents	(93,668,730)	2,568,228
Cash and cash equivalents, beginning of period	97,246,666	112,900
Cash and cash equivalents, end of period	**$ 3,577,936**	**$ 2,681,128**
Other non-cash investing and financing activities		
Issuance of LP units in acquistion on Jupiter	$ 137,001,000	$ -
Issuance of common and compressed shares in acquisitions	$ 73,000,000	$ -
Unpaid portion of acquisition cash consideration included in accounts payable	$ 37,800,000	$ -
Impact of IFRS 16 adoption (Note 2)	$ 17,598,308	$ -

See accompanying notes

NOTE 1 - Nature of Operations

TILT Holdings, Inc. ("TILT" or the "Company") was incorporated under the Nevada Revised Statutes Chapter 78 on June 22, 2018. TILT is the successor of Sea Hunter Therapeutics, LLC ("Sea Hunter"), a company formed under the laws of Delaware on September 20, 2017. The Company's Common Shares began trading on the Canadian Securities Exchange ("CSE") under the symbol "TILT" on December 6, 2018. The Company's registered and records office address is 745 Thurlow Street, #2400 Vancouver, BC V6C 0C5 Canada. The Company's head office in the United States of America ("U.S.") is located at 1385 Cambridge Street, Cambridge MA 02138.

The Company was created as a result of a Business Combination Agreement ("BCA") dated July 9, 2018 (the "Agreement") pursuant to which Baker Technologies Inc. ("Baker"), Briteside Holdings, LLC ("Briteside"), Sea Hunter, Santé Veritas Holdings Inc. ("SVH"), and 1167411 B.C. Ltd. ("Finco") agreed to combine their respective businesses (the "Business Combination"). The Business Combination consisted of a series of transactions that resulted in the acquisition via Reverse Takeover ("RTO") by TILT, a British Columbia company, of all of the outstanding common shares of SVH, a British Columbia company, previously listed for trading on the CSE under the symbol "SV". Prior to the acquisition of SVH, for accounting purposes, Sea Hunter was considered the acquirer when TILT was acquired by Sea Hunter in the RTO on November 13, 2018. For further information, please refer to Note 3 "Business Combination and Reverse Takeover" in the annual financial statements for the year ended December 31, 2018.

TILT is a vertically integrated technology and infrastructure platform delivering a range of products and services across the cannabis industry. TILT operates production facilities in multiple markets across the U.S. and internationally, delivering genetically researched cannabis products through vertically integrated operations, largely through the wholesale market in partnership with retail operators. The Company also provides distribution services, logistics operations and software solutions for each touchpoint in the cannabis supply chain. The Company also provides a suite of software and services to its retail partners, helping them connect with retail customers with knowledge based promotional activities.

On January 11, 2019, through its subsidiaries Jimmy Jang Holdings, Inc. and Jimmy Jang, L.P. ("JJ LP") TILT acquired all assets and assumed all liabilities of Jupiter Research, LLC ("Jupiter") an inhalation and vaporization technology company (the "Jupiter Acquisition"). The terms of the Jupiter Acquisition provided for gross consideration of $207 million, consisting of $70 million cash and 53,912,143 limited partnership units (each, an "LP Unit") and 53,912,143 rights (each, a "Right"), with one LP Unit and one Right being convertible together, at the request of the holder, into one common share ("Common Share") of TILT at a deemed issue price of US$2.5412.

On January 16, 2019, through its subsidiary Yaris Acquisition, LLC ("Yaris") TILT acquired all assets and assumed all liabilities of Blackbird Holdings Corp. ("Blackbird"), a distribution company providing logistics operations and software solutions for each touchpoint in the cannabis supply chain (the "Blackbird Acquisition"). Consideration paid for the Blackbird Acquisition was approximately $50 million, consisting of $5 million of cash and US$45 million security based consideration comprised of 161,543

NOTE 1 - Nature of Operations (Continued)

compressed shares in the capital of TILT ("Compressed Shares") at a deemed issue price of $278.48 per Compressed Share. On the date of closing, TILT contributed Yaris into capital of JJ LP in exchange for 17,012,511 of LP Units.

On January 25, 2019, TILT acquired all assets and assumed all liabilities of Standard Farms, LLC ("Standard Farms") and White Haven RE, LLC ("White Haven") multi-state medical cannabis operator focused on greenhouse cultivation and CO2 extraction (the "Standard Farms Acquisition"). Consideration paid for the Standard Farms Acquisition was approximately $40 million, consisting of $12M cash and $28M security based consideration comprised of 11,090,427 Common Shares at a deemed issue price of $2.52 per Common Share. On the date of closing, TILT contributed Standard Farms and White Haven into capital of JJ LP in exchange for 15,172,808 of LP Units.

Going Concern

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has experienced operating losses and negative operating cash flows since inception; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated acquisitions and other programs during the forthcoming year and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

NOTE 2 - Summary of Significant Accounting Policies

Statement of Compliance

The condensed consolidated interim financial statements have been prepared in compliance with the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The accounting policies applied are consistent with those in the annual consolidated financial statements except for those related to the adoption of the accounting pronouncements as described below.

The consolidated interim financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on November 20, 2019.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Measurement

These condensed consolidated interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. These condensed consolidated interim consolidated financial statements have been prepared under a historical cost basis, except for certain financial instruments and biological assets, which are measured at fair value.

Functional Currency

The Company's functional currency, as determined by management is based on the primary economic environment in which the Company and its subsidiaries operate. The Company has determined that the functional currency of each entity is the U.S. dollar, except as noted below.

The functional currency of the Company's subsidiaries, SVH, TILT and Finco as determined by management is based on the primary economic environment in which SVH operates, which is Canadian dollar. Exchange differences arising on the translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the subsidiary is disposed of.

These unaudited condensed interim consolidated financial statements are presented in U.S. dollars. All references to "C$" refer to Canadian dollars.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of operations and comprehensive loss presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Foreign Currency Translation (Continued)

dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in a subsidiary with a different functional currency are recognized in other comprehensive income. When a subsidiary with a different functional currency is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of an operation with a different functional currency are treated as assets and liabilities of the operation and translated at the closing rate during the initial measurement.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these unaudited condensed interim financial statements are the same as those applied in the Company's audited consolidated financial statements as of and for the year end December 31, 2018. The accounts of the consolidated subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Intercompany transactions and balances are eliminated.

These unaudited condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and entities over which the Company has control. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. Entities that are deemed to be under common control of the Company are consolidated into the financial statements with the non-controlling interest portion recorded as a reduction to equity. All of the consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in these unaudited condensed interim consolidated financial statements. All intercompany balances and transactions are eliminated on consolidation.

The following are the Company's principal consolidated entities and the ownership interest in each that are included in these condensed interim consolidated financial statements for the reporting period ended September 30, 2019:

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Name	Place of Incorporation	Ownership Percentage
Jimmy Jang Holdings, Inc.	**British Columbia**	**100%**
Jimmy Jang, L.P.	**Delaware**	**84.81%**
Santé Veritas Holdings Inc.	**British Columbia**	**100%**
Santé Veritas Therapeutics Inc.	British Columbia	100%
Jupiter Research, LLC	**Arizona**	**100%**
Jupiter Research Europe Ltd	United Kingdom	100%
Baker Technologies Inc.	**Delaware**	**100%**
Defender Marketing Services, LLC	Washington	100%
Yaris Acquisition, LLC	**Delaware**	**100%**
Blackbird Logistics Corporation	Nevada	100%
Blkbrd CA	California	100%
Blkbrd NV, LLC	Nevada	100%
Bootleg Courier Company, LLC	Nevada	100%
Blkbrd Software, LLC	Nevada	100%
Briteside Holdings, LLC	**Tennessee**	**100%**
Briteside E-Commerce, LLC	Tennessee	100%
Briteside Modular, LLC	Tennessee	100%
Briteside Oregon, LLC	Oregon	100%
Standard Farms, LLC	**Pennsylvania**	**100%**
White Haven RE, LLC	**Pennsylvania**	**100%**
Sea Hunter, Therapeutics, LLC	**Delaware**	**100%**
SH Therapeutics, LLC	Florida	100%
SH Realty Holdings, LLC	Delaware	100%
SH Realty Holdings-Ohio, LLC	Ohio	100%
Commonwealth Alternative Care, Inc.	Massachusetts	100%
Cultivo, LLC	Delaware	100%
Alternative Care Resource Group, LLC	Massachusetts	100%
Verdant Holdings, LLC	Florida	100%
Verdant Management Group, LLC	Massachusetts	100%
Herbology Holdings, LLC	Florida	100%
Herbology Management Group, LLC	Massachusetts	100%
SH Ohio, LLC	Ohio	100%
SH Finance Company, LLC	Delaware	100%

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

A brief description of the major entity groups shown in bold above are as follows:

- SVH's activities are focused on developing the emerging cannabis market with a specific focus on the wholesale sector of the cannabis market in Canada. At present, SVH is a late-stage applicant for a license to cultivate and sell cannabis and become a licensed producer.
- Jupiter is an inhalation and vaporization technology company. The Company is engaged in the manufacturing and distribution of electronic, non-nicotine (i.e., cannabis) devices and systems. Jupiter manufactures high-end vaping devices exclusively for natural plant-derived extractors and consumers. Jupiter primarily sells to wholesalers and extractors who serve end-customers in states where medicinal and recreational cannabis use is legal.
- Baker, through its CRM platform, helps dispensaries grow their brand and build relationships with their customers through a variety of products including online ordering, customer loyalty, customer messaging and analytics.
- Blackbird is a distribution company providing logistic operations and software solutions throughout the cannabis supply chain. Blackbird transports, delivers, and has built the software to facilitate transport and delivery while capturing actionable data. Blackbird supports more than 250 wholesale and retail cannabis operators in Nevada and California. In addition to back-end delivery and operations solutions for cannabis dispensaries, Blackbird has a consumer marketplace for cannabis delivery and pick-up called BlackbirdGo.
- Briteside operates a fully-integrated business model that features end-to-end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been de-criminalized for medical use and/or legalized for recreational use. Briteside provides software solutions, designs industry-specific facilities and distributes exclusive and non-exclusive customer products.
- Standard Farms and White Haven together form a multi-state medical cannabis operator focused on greenhouse cultivation and CO2 extraction, with the majority of its operations in Pennsylvania. The Company's products are carried in 95% of Pennsylvania's dispensaries. Standard Farms provides clean and pure medical cannabis products including vape cartridges, capsules and dry flower.
- Sea Hunter provides cultivation, retail, operational and capital support to state licensees and, in certain circumstances, helps applicants apply for licenses and/or manage licensees through its subsidiaries to cultivate, process, transport, and dispense cannabis in Massachusetts and other various states in which it operates.

The Company was created as a result of Agreement pursuant to which Baker, Briteside, Sea Hunter, SVH, and Finco agreed to combine their respective businesses. The transaction was completed in phases (Note 1).

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Business combinations under common control are accounted for at carrying value.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash.

Trade Receivables

The Company reviews all outstanding trade receivables for collectability on a quarterly basis. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company does not accrue interest receivable on past due trade receivables.

Biological Assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the initial basis for the cost of inventory after harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is defined as the estimated selling price in the ordinary course of business less estimated costs to sell. Biological assets are transferred into inventory at their fair value at the point of harvest less costs to sell, which becomes the cost of the inventory. Inventory of supplies and accessories are initially valued at cost. The Company reviews inventory for obsolescence, redundant and slow-moving goods and any such inventory is written-down to net realizable value. During the nine months ended September 30, 2019, the Company recorded a reversal of a previously recorded impairment charge of $1,418,048 due to increases in value. At December 31, 2018, the Company recorded an impairment of $1,418,048.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses as applicable. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for the intended use and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation on the item commences. For property, plant and equipment that are not currently in use, the Company reclassifies them as property not in service.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Machinery and equipment	3 - 7	years
Furniture and fixtures	3 - 7	years
Autos and trucks	5	years
Buildings, leasehold and land improvements	5 - 40	years
Greenhouse-agricultural structure	7 - 15	years

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively, if appropriate. Leasehold and land improvements are amortized over term of the lease. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of operations and comprehensive loss in the year the asset is derecognized.

The Company assesses impairment on property, plant and equipment when an indication of impairment occurs, such as evidence of obsolescence or physical damage. In assessing impairment, the Company compares the carrying amount to the recoverable amount which is determined as the higher of the asset's fair values less costs of disposal and its value in use. Value in use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded in the consolidated statements of operations and comprehensive loss.

All other costs, such as repairs and maintenance, are charged to the consolidated statements of operations and comprehensive loss during the period in which they are incurred.

Intangible Assets

Expenditures on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in the consolidated statements of operations and comprehensive loss as an expense when incurred.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Customer relationships	5 - 13 years
Software	5 - 10 years
Trademarks	5 - 10 years
License rights	10 years
Management contract rights	Over the term of the agreement
Patents and technologies	10 - 15 years

Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

The Company entered into agreements which provide rights to licenses owned by certain not-for-profit entities for which they have management agreements.

The estimated success of applications, useful life and amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit (“CGU”) or CGUs which are expected to benefit from the synergies of the combination. The Company has determined that they have three separate CGUs (software and services, consumer devices and packaged goods, and cultivation and production).

Goodwill is tested annually for impairment, or more frequently if there is any indication of impairment. Other assets are tested for impairment if there is any indication that the carrying amounts exceed the recoverable amounts.

Impairment of Goodwill and Indefinite Life Intangible Assets

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Goodwill and Indefinite Life Intangible Assets (Continued)

Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the amended and restated consolidated statement of operations and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Impairment of Non-Financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in the amended and restated consolidated statement of operations and comprehensive loss for the period.

The recoverable amount of an asset or a CGU is the greater of its fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years, net of any depreciation that would have been claimed.

Accounts Payable and Accrued Liabilities

Trade payables, presented in accounts payable and accrued liabilities, are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Current Tax
Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Non-Controlling Interest

Non-controlling interest represents equity interests owned by parties that are not shareholders of the ultimate parent. Non-controlling interest is initially measured either at fair value or at the non-controlling interest’s proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. The share of net assets attributable to non-controlling interests is presented as a component of equity. Changes in the parent company’s ownership interest that do not result in a loss of control are accounted for as equity transactions.

Revenue Recognition

In May 2014, the IASB issued IFRS 15, which provides a single, principles based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. This standard became effective January 1, 2018.

The Company adopted the standard on January 1, 2018 and applied IFRS 15 retrospectively. The Company determined that there is no change to the comparative periods or transaction adjustments required as a result of the adoption of this standard.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue recognition is determined through the following five steps:

- Identification of the contract with the customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for goods and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

- *Sale of Goods*
  Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the good to the customer. The Company transfers control and satisfies its performance obligations on retail sales upon delivery and acceptance from the customer. For dispensary sales, this occurs at the point of sale at the dispensary. The Company satisfies its performance obligation on wholesale sales when goods are delivered to the customer.

- *Consulting Services*
  The Company recognizes revenue from consulting services on a straight-line basis over the term of third-party consulting agreements as services are provided and the performance obligation has been satisfied.

- *Software-as-a-Service ("SaaS") License Fees*
  SaaS license agreements entitle the customer to utilize the Baker platform, which is hosted by the Company, for a specified number of users without taking possessions. The SaaS contracts contain multiple deliverables which include license fees, setup fees and usage-type fees. The transaction price is allocated to the separate performance obligations based on relative standalone selling prices. Revenue from license and setup fees, net of discounts, are recognized ratably over the contract term, commencing on the date when the Baker software is made available to the customer. Revenue from usage-type fees is recognized when the customer obtains control of the underlying asset and assumes the risks and rewards of ownership. The Company presents revenues net of sales-related taxes.

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. A contract asset arises when the Company performs a service in advance of receiving consideration from the customer. However, the Company sometimes receives advances or deposits from customers before

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

revenue is recognized, resulting in contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the consolidated statements of financial position. Contract assets and contract liabilities, if any, are included in other assets and deferred revenue, respectively, in the consolidated statements of financial position.

Certain direct costs related to obtaining or fulfilling the contracts are also capitalized and amortized ratably over the expected customer tenure, unless the amortization period is expected to be less than one year.

Research and Development

Research and development costs are expensed as incurred. For the three months ended September 30, 2019 and 2018, research and development costs were $2,758 and $0, respectively. Research and development costs for the nine months ended September 30, 2019 and 2018 were $76,014 and $0, respectively.

Development costs are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development to use or sell the asset. To date, no development costs have been capitalized.

Provisions

Provisions are recognized when the Company has a legal or construction obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Equity

Share capital represents the value of the shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital.

From time to time, the Company issues units consisting of common shares and share purchase warrants. Proceeds from unit placements are allocated between shares and warrants issued based on the residual value method.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Share-Based Payments

Share-based payments to employees are measured at the fair value of the equity instruments issued and amortized over the vesting periods. Share-based payments to non- employees are measured at the fair value of goods or services received, of if it is determined the fair value of the goods or services cannot be reliably measured, the fair value of the equity instruments issued. Share-based payments are recorded at the date the goods or services are received. The corresponding amount is recorded to option reserves. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options and compensatory warrants that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including the expected volatility. Changes inthe underlying assumptions can materially affect the fair value estimates.

Deferred Revenue

The Company defers revenue and costs relating to sales if there is a right to return or if transfer of control has not occurred as of the reporting date. In these cases, revenue is recognized upon the maturation of the right to return or when control has been transferred.

Leases

The Company’s accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient under IFRS to account for each lease component and any non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Leases (Continued)

the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability if applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Earnings Per Share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for its own shares held. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for its own shares held, for the effects of all dilutive potential common shares.

Segment Information

The Company's chief operating decision makers are the executives. This is the highest level of management responsible for assessing the Company's overall performance and making operational decisions such as resource allocations related to operations, development prioritization, and delegation of authority. Management has determined that the Company operates in two operating and reportable segments.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments". IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has adopted this new standard using the retrospective approach where the cumulative impact of adoption will be recognized in deficit as of January 1, 2018 and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39, "Financial Instruments: Recognition and Measurement", to the new measurement categories under IFRS 9.

Classification
The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) fair value through profit or loss ("FVTPL"); (ii) fair value through other comprehensive income ("FVOCI"); and (iii) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For financial assets and financial liabilities measured at fair value, gains or losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Classification (Continued)
Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost at the end of the subsequent to initial recognition. All other financial assets including equity investments are measured at their fair values subsequent to initial recognition, with any changes taken through profit or loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment
The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. Evidence of increased credit risk may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its financial assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

The following table provides comparison of IFRS 9 and IAS 39 in classification and measurement for various financial instruments.

	IFRS 9		IAS 39	
	Classification	Measurement	Classification	Measurement
Cash and cash equivalents	FVTPL	Fair value	FVTPL	Fair value
Trade receivable and others	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Due from related parties	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Loans receivable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Investments	FVTPL	Fair value	N/A	N/A
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Due to related parties	Amortized cost	Amortized cost	Other liabilities	Amortized cost

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates (Continued)

Significant judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

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

Measurement and Valuation of Biological Assets
In calculating the fair value of biological assets and inventory, management is required to make a number of estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, selling costs, average or expected selling and list prices, expected yields for the plants, and oil conversion factors. See "Note 5 - Biological Assets" for further information on estimates used in determining the fair value of biological assets.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work- in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Recognition of Revenue
Software contracts with customers include promises to deliver multiple services. Determining whether these represent distinct performance obligations may require significant judgment. In addition, the determination of stand-alone selling price for distinct performance obligations may also require judgment and estimates. As the Company does not have a significant history of generating revenue, management uses judgment, based on specific contracts and comparable sales, to determine the appropriate stand-alone selling value for each performance obligation. A change in the stand-alone selling price allocated to each performance obligation could materially impact the revenue recognized in the current and future periods.

Business Combinations
In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates (Continued)

Business Combinations (Continued)
Certain fair values of the acquired assets and assumed liabilities may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods within the measurement period when it reflects new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date.

Measurement of Share-Based Payments
The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-settled share-based payments. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Impairment of Non-Financial Assets
The assessment of any impairment of non-financial assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, the useful lives of assets, definition of the cost generating unit and estimates used to measure impairment losses. The recoverable value of these assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Goodwill and Indefinite Life Intangible Asset Impairment
Goodwill and intangible assets with an indefinite useful life are tested for impairment annually during the fourth quarter and whenever there are indicators that the carrying amount of goodwill or intangible assets with an indefinite useful life have been impaired. In order to determine if the value of these assets have been impaired, the Company calculates the recoverable amount of the cash-generating unit to which asset has been allocated using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in these judgments and estimates can significantly affect the assessed recoverable amount of goodwill and indefinite life intangible assets.

Deferred Tax Assets
Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates (Continued)

Deferred Tax Assets (Continued)
In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Accounting Pronouncements Adopted

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The new standard replaced IAS 17 Leases ("IAS 17") and eliminated the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee requires the capitalization of all leases, resulting in accounting treatment similar to finance leases under IAS 17, which requires lessees to recognize assets and liabilities for all major leases.

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability adjusted for any deferred rent at January 1, 2019. Right-of-use assets totaling $16,972,306 and lease obligations of $17,598,308 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 8.0%.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligation recognized on initial application of IFRS 16 at January 1, 2019.

Operating lease commitments at December 31, 2018	$ 21,434,460
Discount using the incremental borrowing rate at January 1, 2019	(6,592,822)
Leases acquired through acquisition	2,756,670
	$ 17,598,308

Reclassification

Certain prior period amounts have been reclassified to conform with the current presentation.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination

On January 11, 2019, TILT completed the Jupiter Acquisition.

The following table summarizes the consideration for the Jupiter Acquisition and the net assets of Jupiter at their provisional fair values on January 11, 2019:

Identifiable net assets		
Cash overdrawn	$	(89,392)
Receivables		8,959,967
Inventory		13,064,213
Deposits, prepaid expenses and other current assets		8,939,376
Property, plant and equipment		131,734
Intangible assets:		
Technology		32,900,000
Customer list		79,400,000
Trademarks		27,900,000
Non-competition agreement		6,600,000
Right of use assets		2,382,658
Accounts payable and other current liabilities		(9,342,596)
Deferred tax liability		(44,391,458)
Deferred revenue		(7,716,328)
Lease obligations		(2,382,658)
Identifiable net assets		116,355,516

Consideration		
Cash		70,000,000
Purchaser portion of the 2018 tax liability		6,000,000
Measurement period adjustment related to purchaser portion of the 2018 tax liability		(3,200,000)
Fair value of Common Shares in TILT Holdings, Inc.		137,001,000
		209,801,000
Fair value of consideration paid in excess of net assets acquired (Goodwill)	$	93,445,484

For the three and nine months ended September 30, 2019, Jupiter accounted for ($1,655,741.47) and $118,459 respectively in net income/(loss). These amounts included revenues of $32,198,321 and $92,785,712, respectively.

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NOTE 3 - Business Combination (Continued)

On January 16, 2019, TILT completed the Blackbird Acquisition.

The following table summarizes the consideration for the Blackbird Acquisition and the net assets of Blackbird at their provisional fair values on January 16, 2019:

Identifiable net assets		
Cash and cash equivalents	$	466,228
Receivables		633,492
Advances to other entities		57,410
Inventory		158,731
Deposits, prepaid expenses and other current assets		84,374
Property, plant and equipment		2,063,211
Intangible assets:		
Cultivation license		20,944,200
Customer list		5,500,000
Trademarks		900,000
Right of use assets		684,248
Accounts payable and other current liabilities		(725,389)
Deferred tax liability		(2,358,112)
Lease obligations		(675,977)
Identifiable net assets	$	27,732,416

Consideration		
Cash		4,716,057
Fair value of Common Shares in TILT Holdings, Inc.		45,000,000
Surplus working capital		1,199,000
Debt forgiveness		3,000,000
		53,915,057
Fair value of consideration paid in excess of net assets acquired (Goodwill)	$	26,182,641

For the three and nine months ended September 30, 2019, Blackbird accounted for $4,638,126 and $10,397,043, respectively in net loss. These amounts included revenues of $1,418,273 and $3,873,853, respectively.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination (Continued)

On January 25, 2019, TILT completed the Standard Farms Acquisition.

The following table summarizes the consideration for the Standard Farms Acquisition and the net assets of Standard Farms and White Haven at their provisional fair values on January 16, 2019:

Identifiable net assets		
Cash and cash equivalents	$	519,695
Receivables		264,085
Biological assets		645,377
Inventory		1,773,748
Deposits, prepaid expenses and other current assets		1,900
Property, plant and equipment		8,270,400
Intangible assets:		
Organization costs		7,000
Cultivation license		14,000,000
Customer list		5,900,000
Trademarks		1,100,000
Right of use assets		2,867,760
Accounts payable and other current liabilities		(559,199)
Deferred tax liability		(2,022,384)
Lease obligations		(2,867,760)
Identifiable net assets		29,900,622

Consideration		
Cash		12,000,000
Fair value of Common Shares in TILT Holdings, Inc.		28,000,000
Surplus working capital		2,229,387
		42,229,387
Fair value of consideration paid in excess of net assets acquired (Goodwill)	$	12,328,765

For the three and nine months ended September 30, 2019, Standard Farms and White Haven accounted for $1,284,791 and $3,731,986, respectively in net income. These amounts included revenues of $1,639,761 and $4,656,610, respectively.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination (Continued)

The purchase price allocation for the acquisition of Jupiter, Blackbird, Standard Farms and White Haven, reflects various fair value estimates and analysis which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's amended and restated consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. During the nine months ended September 30, 2019, the Company recorded a measurement period reduction adjustment of $3,200,000 related to the Jupiter acquisition for the purchaser portion of the 2018 tax liability.

NOTE 4 - Trade Receivables and Others

As of September 30, 2019 and December 31, 2018, trade receivables were $18,295,403 and $2,115,161, respectively. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable and amounts based on the estimated credit loss. Management determined that the allowance for doubtful accounts required was $77,108 and $127,234, respectively, as of September 30 2019 and December 31, 2018.

NOTE 5 - Biological Assets

Biological assets consist of live cannabis plants. The changes in the carrying value of biological assets are as follows as of September 30, 2019 and December 31, 2018:

Significant Inputs and Assumptions	September 30, 2019	December 31, 2018
Balance, beginning of period	$ 1,867,656	$ -
Biological assets acquired in business acquisitions	645,377	-
Net increase in fair value less costs to sell due to biological transformation	28,209,104	151,034
Production costs capitalized	6,500,771	4,030,826
	$ 37,222,908	$ 4,181,860
Transferred to inventory upon harvest	(28,598,906)	(2,314,204)
Balance, end of period	**$ 8,624,002**	**$ 1,867,656**

On average, the growing time for a full harvest approximates 17 weeks. As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to changes that could result in future gains or losses on biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest. Prior to harvest, all production costs are expensed.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 5 - Biological Assets (Continued)

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The selling price per gram based on average selling prices for the period;
- The cost to complete the cannabis production process post-harvest and the cost to sell;
- Attrition rate;
- The stage of plant growth; and
- Expected yields from each cannabis plant.

The Company measures the yield of cannabis in active milligrams extracted from a plant. A plant typically produces a total of approximately 96 grams, which is comprised of THC and CBD. The Company has quantified the sensitivity of the inputs in relation to the biological assets for the periods ended September 30, 2019 and December 31, 2018 and expects that:

			Effect on Fair Value as of	
Significant Inputs and Assumptions	**Range of Inputs**	**Sensitivity**	**September 30, 2019**	**December 31, 2018**
Selling price per active gram	$8.75 to $8.38	Increase 5% decrease 5%	$ 1,140,000 $ (1,140,000)	$ 91,333 $ (91,333)
Estimated yield per cannabis plant	54.49 to 95.73 grams	Increase 5% decrease 5%	559,000 (559,000)	93,383 (93,383)
Estimated cost to complete	$2.32 to $0.25	Increase 5% decrease 5%	(153,000) 153,000	(177,368) 177,368

All of the plants are to be harvested as agricultural produce (i.e., medical cannabis). As of September 30, 2019 and December 31, 2018, plants were on average 49% complete. The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. As of September 30, 2019, it is expected that the Company's biological assets will yield approximately 2,210,678 grams. As of December 31, 2018, it was expected that the Company's biological assets would yield approximately 520,683 grams.

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(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 6 - Inventory

The Company's inventory assets as of September 30, 2019 and December 31, 2018 consisted of the following:

	September 30, 2019	December 31, 2018
Work in process – cannabis oil	$ 7,797,192	$ 1,746,420
Finished goods – harvested cannabis	2,866,317	3,674,023
Finished goods – cannabis oils	4,866,076	1,150,033
Finished goods – cartridges and flip cases	21,919,575	-
Materials	564,236	80,881
Supplies and accessories	1,434,948	15,288
	$ 39,448,434	**$ 6,666,645**

During the nine months ended September 30, 2019, the Company recorded a reversal of a previously recorded impairment charge of $1,418,048 due to increases in value. At December 31, 2018, the Company recorded an impairment of $1,418,048.

NOTE 7 - Property, Plant and Equipment

The property, plant and equipment as of September 30, 2019 and December 31, 2018 consists of the following:

	Net Balance 12/31/2018	Business Acquisition	Additions	Net Balance 9/30/2019
Land	$ -	$ 168,300	$ -	$ 168,300
Land improvements	-	386,128	45,868	431,996
Machinery & equipment	5,842,669	437,795	461,750	6,742,214
Furniture & fixtures	340,358	116,882	389,754	846,994
Buildings	-	4,326,662	1,987,653	6,314,315
Greenhouse-agricultural structure	4,703,953	1,423,876	1,491,838	7,619,667
Leasehold improvements	25,494,115	67,046	17,800,560	43,361,721
Construction in progress	10,307,297	-	2,800,011	13,107,308
Autos & trucks	136,434	371,115	-	507,549
Property not in service	5,486,845	1,567,539	528,060	7,582,444
Total property, plant and equipment	52,311,671	8,865,343	25,505,493	86,682,507
Less: accumulated depreciation	(1,804,445)	-	(2,489,017)	(4,293,462)
Total property, plant and equipment, net	$ 50,507,226	$ 8,865,343	$ 23,016,476	$ 82,389,045

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 7 - **Property, Plant and Equipment (Continued)**

A reconciliation of the beginning and ending balances of accumulated depreciation is as follows:

	Balance 12/31/2018	Depreciation	Balance 9/30/2019
Land improvements	$ -	$ 7,630	$ 7,630
Machinery & equipment	859,790	1,054,505	1,914,295
Furniture & fixtures	13,184	15,072	28,256
Buildings	-	103,116	103,116
Greenhouse-agricultural structure	-	125,826	125,826
Leasehold improvements	929,819	1,138,703	2,068,522
Construction in progress	1,652	2,431	4,083
Autos & trucks	-	41,734	41,734
	$ 1,804,445	$ 2,489,017	$ 4,293,462

Depreciation expense of $2,489,017 and $705,953 was recorded for the nine month periods ended September 30, 2019 and 2018, respectively, of which $45,600 and $0 is included in Production Costs Expensed to Cost of Sales.

NOTE 8 - **Right-of-use Assets**

The Company leases many assets including land, buildings and vehicles. The following table presents the right-of-use assets for the Company:

	Property	Vehicles	Total
Balance, January 1, 2019	$ 16,509,347	$ 462,959	$ 16,972,306
Additions	5,495,177	820,343	6,315,520
Depreciation	(1,014,861)	(93,450)	(1,108,311)
Effect of movement in exchange rates	831,233	277,078	1,108,311
Balance, September 30, 2019	$ 21,820,896	$ 1,466,930	$ 23,287,826

Depreciation expense of $1,108,311 and $0 was recorded for the nine month periods ended September 30, 2019 and 2018, respectively

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 9 - Non-Controlling Interest

Non-controlling interest represent ownership of JJ LP by the third parties.

As of September 30, 2019, the carrying amount of consolidated assets and liabilities of non-controlling interests included in the accompanying Condensed Consolidated Statement of Financial Position of the Company are as follows:

Current assets	$ 15,236,025
Non-current assets	$ 8,076,715
Current liabilities	$ 25,272,601
Non-current liabilities	$ 3,797,229
Net Equity	$ 52,382,570

As of September 30, 2019, the Company through one of its subsidiaries gained additional control of a majority owned subsidiary. This additional control has been accounted for as a step acquisition. Accordingly, the Company did not record additional fair value of the assets acquired, but rather, reduced the noncontrolling interest in the respective company. The effect of the transaction was a reduction in noncontrolling interest, which approximates the net book value of the additional interest acquired. The accompanying financials statements reflect the changes in the financial ownership proportion from the respective purchase date through September 30, 2019.

Effective September 1, 2019 the Company, through one of its subsidiaries acquired an additional 3.146% of the noncontrolling interest in Blackbird, with a cash purchase price of $356,400 thus totaling 100% ownership in Blackbird.

NOTE 10 - Intangible Assets

As of September 30, 2019 and December 31, 2018, intangible assets consisted of the following:

	Net Balance 12/31/2018	Business Acquisitions	Additions	Amortization	Net Balance 9/30/2019
Customer relationships	$ 2,427,500	$ 90,800,000	$ 72,500	$ 5,085,133	$ 88,214,867
Trademarks	1,834,786	29,900,000	43,214	3,006,494	28,771,506
License rights	8,522,171	34,944,776	223,530	1,260,000	42,430,477
Management agreements	2,643,056	-	106,944	765,993	1,984,007
Patents & technologies	3,307,379	32,900,000	96,668	2,696,185	33,607,862
Software	1,229,332	1,600,000	280,046	1,801,024	1,308,354
Other intangible assets	-	10,406,424	-	3,805,805	6,600,619
Total intangible assets	$ 19,964,224	$200,551,200	$ 822,902	$ 18,420,634	$ 202,917,692

The Company recorded amortization expense of $18,420,634 and $323,652 for the nine month periods ended September 30, 2019 and 2018, respectively.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 11 – Goodwill

Balance, December 31, 2018	$ 7,345,518
Additions	131,956,890
Balance, September 30, 2019	$ 139,302,408

The Company performs goodwill impairment testing at least at each annual reporting period and whenever impairment indicators are identified. Management believes that no impairment indicators have been identified as it relates to the three new acquisitions from January 2019 and similarly for the entries which were part of the business combination in November 2018. Refer to Note 3 Business Combinations for measurement period adjustment.

NOTE 12 - Loans Receivable

The Company has several advances to entities with which the Company has a management agreement, lending relationship or letters of intention to purchase the entity under certain conditions. The Company's intent is to apply outstanding balances toward the purchase price upon acquisition of these entities. The Company changes interest ranging from 0% to 18% on outstanding balances.

The summary of the outstanding balances as follows:

Short-Term	**Outstanding Amount**		
Relationship	**9/30/2019**	**12/31/2018**	**Interest Rate**
Loans/advances	$ 7,128,022	$ 4,754,679	0% -18%
Intention to acquire controlling interest	3,712,991	3,172,540	0% - 12%
	$ 10,841,013	**$ 7,927,219**	

Long-Term	**Outstanding Amount**		
Relationship	**9/30/2019**	**12/31/2018**	**Interest Rate**
Management agreement	$ 16,519,691	$ 14,317,976	18%
Intention to acquire controlling interest	4,819,099	3,153,205	18%
	$ 21,338,790	**$ 17,471,181**	

At September 30, 2019 and December 31, 2018, accrued interest amounted to $3,927,881 and $1,553,563, respectively.

NOTE 13 - Shareholders' Equity

Authorized Share Capital

The authorized share capital of the Company is comprised of the following:

(i) Unlimited Number of Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote for each Common Share so held. Holders of Common Shares are entitled to receive as and when declared by the directors of the Corporation, dividends in cash or property of the Company.

(ii) Unlimited Number of Compressed Shares

The holders of Compressed Shares (the "Compressed Shareholders") have the right to one vote for each Common Share into which such Compressed Shares are convertible (disregarding the Conversion Limitations set forth), and with respect to such vote, Compressed Shareholders have voting rights and powers equal and identical to the voting rights and powers of the holders of Common Shares.

Conversion Limitation

The Company uses commercially reasonable efforts to maintain its status as a "foreign private issuer" ("Foreign Private Issuer", as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act")). Accordingly:

(1) 40% Threshold. The Company shall not affect any conversion of Compressed Shares, and the Compressed Shareholders shall not have the right to convert any portion of the Compressed Shares, to the extent that after giving effect to such issuance after conversions, the aggregate number of Common Shares and Compressed Shares held of record, directly or indirectly, by residents of the United States would exceed forty percent (40%) (the "40% Threshold") of the aggregate number of Common Shares and Compressed Shares issued and outstanding (the "FPI Protective Restriction").

(2) Conversion Limitations. In order to effect the FPI Protective Restriction, each Compressed Shareholder will be subject to the 40% Threshold based on the number of Compressed Shares held by such Compressed Shareholder as of the date of the initial issuance of any Compressed Shares and, thereafter, at the end of each of the Company's subsequent fiscal quarters (each, a "Determination Date") for the current fiscal quarter (the "Relevant Fiscal Quarter").

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 13 - Shareholders' Equity (Continued)

Authorized Share Capital (Continued)

Conversion Limitation (Continued)

Subject to the Conversion Limitations, Compressed Shareholders have the right to convert Compressed Share into Common Shares by multiplying the number of Compressed Shares by the Conversion Ratio in effect on the applicable date the Compressed Shares are surrendered for conversion. In accordance with the initial "Conversion Ratio", each Compressed Share shall be convertible into 100 Common Shares.

The Company may require (a "Mandatory Conversion") by giving a ("Mandatory Conversion Notice") at least 20 days prior to the record date of the Mandatory Conversion.

The Compressed Shareholders are entitled to receive dividends and distributions payable in respect of Common Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Compressed Shareholders and the holders of Common Shares based on (i) the number of Common Shares and (ii) the number of Compressed Shares (on an as converted basis, assuming conversion of all Compressed Shares into Common Shares at the applicable Conversion Ratio, disregarding the Conversion Limitations).

Units of JJ LP

Units of JJ LP, a subsidiary of TILT, are exchangeable for one Common Share of TILT at any time per request of the owner of units.

Warrants

Each whole warrant entitles the holder to purchase one Common Share of the Company. A summary of the status of the warrants outstanding is as follows:

	Number of Warrants	Weighted-Average Exercise Price
Balance as of January 1, 2019	**6,953,283**	**C$3.73**
Issued	9,174,167	C$1.11
Converted to common shares	(396,651)	C$0.43
Balance as of September 30, 2019	**15,730,799**	**C$2.29**

For the nine months ended September 30, 2019 and 2018, the Company recorded warrant compensation expense of $731,404 and $0 issued with a fair value of $0.18 per warrant for consulting services and $0.05 for severance, respectively. For the three months ended September 30, 2019 and 2018 the Company recorded warrant compensation expense of $491,285, and $0, issued with a fair value of $0.18 per warrant for consulting services and $0.05 for severance, respectively.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 13 - Shareholders' Equity (Continued)

Warrants (Continued)

TILT issued warrants in connection with the final separation of several founders of the Comany, warrants that will be exercisable for 9,045,691 common share purchase warrants ("Warrants"), with each Warrant exercisable into one common share of TILT at a price of C$1.05 for a period of five years.

The following table summarizes the warrants that remain outstanding as of September 30, 2019:

Security Issued	Exercise Price	Number of Warrants	Expiration Date
SVH replacement warrants	C$2.14	418,795	December 19, 2019
SVH replacement warrants	C$0.86	1,678,949	October 20, 2020
Founders seperation warrants	C$1.05	9,045,691	October 1, 2024
Capital raise	C$5.25	1,862,670	December 13, 2019
Service providers	C$5.25	2,724,694	December 13, 2019

The fair value of warrants issued was determined using the Black-Scholes option- pricing model with the following assumptions at the time of issuance:

Risk-Free Annual Interest Rate	2.6%-1.6%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	80%-90%
Expected Life of Warrants	0.78-2.5years

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that warrants issued are expected to be outstanding.

Incentive Units

During 2018, prior to the Business Combination described in Note 1, employees and service providers of Sea Hunter were granted compensation payable in incentive units of the prior shareholder of Sea Hunter. Upon the Business Combination, TILT voluntary agreed to continue granting employee's compensation payable in TILT's Common Shares. $949,854 of such compensation was included into Stock compensation expense in the Condensed Consolidated Statement of Operations for the period ended September 30, 2019.

The Common Shares are vested upon issuance and contain employment contingency rules. The remaining balance payable to the employees are as follows:

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 13 - Shareholders' Equity (Continued)

October 1 - December 31, 2019	$	190,853
2020		732,961
2021		553,335
2022		143,914
Total	$	1,621,063

Stock Options

A summary of the status of the options outstanding follows:

	Number of Stock Options		
	Common Shares	Compressed Shares	Weighted-Average Exercise Price
Balance as of January 1, 2019	**15,566,530**	**592,160**	
Conversion of compressed to common	29,286,900	(292,869)	N/A
Granted	3,015,500	-	US$3.98
Exercised	(394,699)	(6,445)	C$5.25-$525.00
Reissued/Cancelled	-	-	US$1.08-108.00
Forfeited	(38,779,457)	(276,413)	US$3.98-$398.00
Balance as of September 30, 2019	**8,694,774**	**16,433**	

During the nine months ended September 30, 2019 and 2018, the Company recorded $72,713,726 and $0 of net stock compensation for stock options granted, forfeited and vested during the periods, respectively. For the three months ended September 30, 2019 and 2018 the Company recorded net stock compensation for stock options granted, forfeited and vested of ($37,355,753) and $0, respectively

During the three months ended September 30, 2019 TILT negotiated individual agreements with each of the six remaining founders with respect of the immediate forfeiture of 59,600,408 Options granted at the time of the initial merger.

The following table summarizes the stock options that remain outstanding as of September 30, 2019:

Security Issuable	Number of Options	Exercise Price	Expiration Date	Options Exercisable
Common shares	4,968,015	C$5.25	November 21, 2028	-
Compressed shares	5,128	C$525.00	November 21, 2028	-
Common shares	699,562	C$5.25	December 18, 2028	699,562
Common shares	1,254,612	C$5.25	June 27, 2023 - January 29, 2029	828,400
Compressed shares	11,305	C$525.00	June 27, 2023 - January 29, 2029	25,513
Common shares	1,157,085	C$5.25	December 6, 2020	1,157,085
Common shares	615,500	US$3.98	August 15, 2030	-

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 13 - Shareholders' Equity (Continued)

The fair value of stock options granted was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

Risk-Free Annual Interest Rate	2.66%
Expected Annual Dividend Yield	0%
Expected Stock Price Volatility	80%
Expected Life of Stock Options	10 years
Forfeiture Rate	0%

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that options issued are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the options.

NOTE 14 - Earnings (loss) per Share

The following is a reconciliation for the calculation of basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2019:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Net income (loss)	$ 26,132,651	$ (100,703,046)
Weighted-average number of shares and units outstanding	304,260,881	302,259,984
Earnings (loss) per share - basic and diluted	$0.10	($0.52)
Attributable to TILT Holdings, Inc. shareholders	$0.07	($0.42)
Attributable to non-controlling interest	$0.03	($0.10)

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the issuance of shares on the decompression of compressed shares, exercise of warrants and share options is anti-dilutive.

NOTE 15 – Note Payable

On April 29, 2019 and May 13, 2019 the Company entered into two credit facilities of original issue discount ("OID) term loans that are scheduled to mature on November 9, 2019. On these dates, the lender advanced OID terms loans in an amount equal to 80% of the face amount which consisted of two separate tranche advances of $6.4 million and $9.6 million, net of related costs representing a $16 million face amount and resulting in an OID of $4 million, which will be amortized through interest expense over the term of the loans.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 15 – Note Payable (Continued)

Each of the loans require monthly payments of interest at a 15% fixed rate per annum of the face amount commencing on June 1, 2019. As defined in the agreement, upon the occurrence and during the continuance of any event of default the Company shall bear interest from and including the issue date, at a 20% fixed rate per annum of the principal balance paid on a monthly basis. The loans are secured by all personal property and all accounts receivables as defined in the agreements.

The Company incurred debt issuance costs and OID accretion totaling approximately $1.3 million, which will be recognized as additional interest expense over the life of the debt commitment. The unamortized portion of the debt issuance costs and OID accretion are reported on the balance sheets as a direct reduction from the note payable. The debt issuance costs are being amortized over the term of the debt obligation.

At September 30, 2019 and December 31, 2018, the note payable as well as the unamortized portions of the OID accretion and the debt issuance costs are as follows:

	9/30/2019	12/31/2018
Principal amount - note payable	$ 20,000,000	$ -
Less: OID accretion	(863,230)	-
Less: unamortized debt issuance costs	(332,921)	-
Note payable, net	$ 18,803,849	$ -

NOTE 16 - Lease Liabilities and Obligations

The following table presents the contractual undiscounted cash flows for lease obligations as of September 30, 2019:

One to five years	$19,501,812
More than five years	14,337,219
Total undiscounted lease liabilities at September 30, 2019	$33,839,031

Lease liabilities included in the consolidated statement of financial position at September 30, 2019:

Current	$ 3,092,869
Non-current	21,960,059
Total	$25,052,928

Interest expense on lease obligations for the nine months ended September 30, 2019 and 2018 was $905,178 and $0, respectively. Interest expense on lease obligations for the three months ended September 30, 2019 and 2018 was $398,231 and $0, respectively. All extension options that are reasonably expected to be exercised have been included in the measurement of lease obligations.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 17 - Commitments and Contingencies

Guarantees

Sea Hunter is a guarantor in the lease agreement of one of the Massachusetts dispensaries with which the Company has a management agreement. The Company may be liable for the future minimum rental payments under this lease as follows:

Year ending December 31		Amount
October 1 to December 31,	$	95,167
2020		397,969
2021		414,159
2022		433,981
2023		449,878
2024 and thereafter		2,460,116
Total	**$**	**4,251,270**

Litigation

In July 2019, Parkline, Inc., a West Virginia corporation, filed a complaint in Superior Court in Massachusetts, against Briteside Modular, LLC, and Commonwealth Alternative Care, Inc., both subsidiaries of the Company. The complaint alleges breach of contract and related claims, and seeks damages of US$2,067,074.17, which relate to amounts that Parkline alleges are owed under certain purchase orders related to the purchase of modular structures, equipment, and services by Briteside Modular, LLC for a project site controlled by Commonwealth Alternative Care, LLC. The Company believes that the case is defensible and intends to vigorously contest this suit.

In July 2019, Richard Komaiko and Marcie Cooperman filed suit in the U.S. District Court for the Northern District of California on behalf of themselves and others similarly situated against Tilt Holdings and Baker Technologies, alleging that Tilt and Baker violated the federal Telephone Consumer Protection Act by sending them and other unsolicited text messages.

NOTE 18 - Related Party Transactions

Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and directors.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 18 - Related Party Transactions (Continued)

	Three Months Ended September30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Management compensation	$ 631,135	$ 623,750	$ 1,919,723	$ 1,278,160
Share-based payments	(37,873,060)	-	60,526,948	-

Related party balances

A related party is a person or an entity that is related to the reporting entity if that person or entity has control, joint control or significant influence over the entity or is a member of key management personnel.

	September 30, 2019	December 31, 2018
Loan to shareholders	$ 470,443	$ 470,443
Payables to key management	-	(107,682)
Loans to / (from) related parties	(18,711,000)	(49,101)

As of December 31, 2018, the Company has a payable of $107,682 to one of the directors of the Company. This liability was incurred prior to the business combination.

The Company has a promissory note receivable of $152,976 from its shareholder and officer at September 30, 2019 and December 31, 2018. The promissory note bears interest at a fixed rate of 3.06%, payable in full upon the earlier of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of such shares to another party.

The Company has promissory notes receivable of $317,467 from two of its shareholders at September 30, 2019 and December 31, 2018. The promissory notes bear interest at a fixed rate of 3.06%, payable in full upon the earlier of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of such shares to another party.

The Company has a payable of $18,711,000 to its interim CEO for his portion of the remaining purchase price related to the Company’s acquisition of Jupiter Research, LLC. The amount is included in accounts payable and accrued expenses on the condensed interim statement of financial position. Interest is due on the unpaid balance after 91 days post close at 15% and after 151 days at 22%.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 19 - Segment Information

The Company operates in five reportable segments: cannabis segment (SVH, Sea Hunter and Standard Farms), technology and infrastructure segment (Baker and Briteside), distribution (Blackbird), accessories (Jupiter) and other (Whitehaven). The cannabis segment includes production, cultivation and retail of cannabis products; technology and infrastructure segment delivers range of products and services across the cannabis industry; distribution segment includes logistic operations and software solutions throughout the cannabis supply chain; accessories includes the manufacturing and distribution of electronic, non-nicotine (i.e., cannabis) devices and systems.

Operating Segments

Three Months Ended September 30, 2019							
	Technology	Cannabis	Distribution	Accessories	Corporate	Other	Total
Revenue	$ 4,405,980	$ 7,995,747	$ 1,418,274	$ 32,198,321	$ -	$ 105,000	$ 46,123,322
Gross profit (loss)	996,147	3,630,319	(808,077)	7,572,993	-	105,000	11,496,382
Net income (loss)	$ (470,939)	$ 325,730	$ (4,638,126)	$ 1,117,687	$ 29,832,422	$ (34,123)	$ 26,132,651

Nine Months Ended September 30, 2019							
	Technology	Cannabis	Distribution	Accessories	Corporate	Other	Total
Revenue	$ 6,552,824	$ 15,771,077	$ 3,873,853	$ 92,785,712	$ -	$ 525,000	$ 119,508,466
Gross profit (loss)	2,920,447	22,881,700	(2,131,374)	20,355,613	-	525,000	44,551,386
Net income (loss)	$ (3,477,208)	$ 4,625,020	$ (10,397,043)	$ (419,596)	$ (91,032,364)	$ (1,855)	$ (100,703,046)

Geographic Segments

Three Months Ended September 30, 2019			
	USA	Canada	Total
Revenue	46,123,322	-	46,123,322
Gross profit	$ 11,496,382	$ -	$ 11,496,382

Nine Months Ended September 30, 2019			
	USA	Canada	Total
Non-current assets	$ 449,445,645	$ 20,790,116	$ 470,235,761
Revenue	119,508,466	-	119,508,466
Gross profit	$ 44,551,386	$ -	$ 44,551,386

For the three and nine months ended September 30, 2019, the Company's operations consisted of only one segment, Cannabis located in the United States of America. This segment is already presented in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2018.

These segments operate in different jurisdictions with distinct operating and regulatory considerations. The Company's management regularly reviews internal financial reporting and makes decisions based on these segments.

NOTE 20 - Financial Instruments and Capital Risk Management

Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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 or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments measured at fair value consist primarily of cash and cash equivalents. The Company classifies its cash with Level 1 as the valuation inputs are based on quoted prices in active markets for identical assets.

Financial and Capital Risk Management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, liquidity risk, currency risk, and credit risk. Where material, these risks are reviewed and monitored by the Board of Managers.

The Board of Managers has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is limited to potential changes on the cash held with financial institutions. No other financial instruments contain variable interest rates. As interest on the cash held with financial institutions is negligible, the Company considers interest rate risk to be immaterial.

NOTE 20 - Financial Instruments and Capital Risk Management (Continued)

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company's exposure to currency risk is minimal.

As of September 30, 2019 and December 31, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company does not have significant credit risk with respect to its customers. Financial instruments, which are potentially subject to credit risk for the Company, consist of cash, cash equivalents, loan receivables and due from related party.

Credit Risk (Continued)

Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company maintains its cash accounts at various financial institution in the United States and Canada. Federal Deposit Insurance Corporation ("FDIC") provides insurance of up to $250,000 for cash accounts held in the banks in the United States. Canadian Deposit Insurance Corporation ("CDIC") provides insurance of up to C$100,000 for cash accounts held in the banks in Canada. From time to time, the Company's balances may exceed this limit. The Company has not experienced any losses on its cash deposits. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other shareholders.

The capital structure of the Company consists of items included in shareholders' equity and debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. As of September 30, 2019, the Company is not subject to externally imposed capital requirements.

NOTE 21 - Subsequent Events

On October 15, 2019, the Issuer announced that its plant touching operating asset, Commonwealth Alternative Care ("CAC"), had received local approval for the adult-use cannabis sales at its retail store in Taunton, Massachusetts. The City Council of Taunton, MA supported the approval with an 8-1 vote. The Issuer is awaiting final approval for the adult-use permit.

On October 15, 2019, the Issuer announced the appointment of Tim Condor, TILT'S Chief Operating Officer and the co-founder of supply-chain and logistics company Blackbird Logistics Corporation, to the Board.

On November 4, 2019, TILT announced that it closed a private placement (the "Financing") of up to $35 million of senior secured notes (the "Notes") from a syndicate consisting of existing shareholders and new investors (the "Financing Syndicate"). The first close was $25.6M. Any further closing of up to $9.4M would take place within 45 days, subject to approvals from both the Company and the Financing Syndicate. Mark Scatterday, the Company's Interim CEO, and other insiders participated in the Financing. The Financing will be used specifically to retire in full the Company's $20 million bridge loan dated April 29, 2019 that bears interest at 18.75% per annum, as well as other payables.

The Financing Syndicate and the Company have agreed to reconstitute the Board of Directors of the Company (the "Board") with new independent Board members in line with new management's focus on transparency, compliance and corporate governance. The Financing Syndicate has proposed two Board Members who will be appointed shortly after closing.

All Notes have a maturity date of 36 months from the closing date and will bear interest from their date of issue at 8.0% per annum, payable quarterly. In connection with the issuance of the Notes, the Company will issue 1,800 common share purchase warrants (the "Warrants") to the subscribers for each $1,000 principal amount of Notes subscribed, for a total aggregate of approximately 46 million Warrants (representing 45% warrant coverage on the aggregate gross proceeds of the Notes). Each Warrant is exercisable for one common share of the Company at a price of C$0.33 per common share for a period of 36 months from the closing date. In addition, the previous sellers of Jupiter Research LLC ("Jupiter") have agreed to restructure unsecured debt of $35 million (owed to them in connection with their sale of Jupiter) with a new maturity date of January 2023 ("Maturity") and an 8% per annum interest rate that accrues and is payable at Maturity, along with a junior secured position to the Financing (the "Jupiter Debt Restructuring"). Upon repayment of the Notes, should any Jupiter Debt be outstanding, the Jupiter Sellers will assume the same rights and security as the original Financing Syndicate until repaid. No warrants shall be issued as part of the Jupiter Debt Restructuring.

NOTE 22 - Restatement

For the three and nine month periods ended September 30, 2018

The Company has retroactively corrected an error related to the previously reported acquisitions of Ermont Inc., Verdant Medical, Inc. and Herbology Group, Inc. Management has evaluated the control relationship between the Company and previously presented subsidiaries and has determined that it did not meet the control criteria over these entities as defined by IFRS 10 – Consolidation. As a result, net loss of $270,212 and offsetting non-

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 22 – Restatement (Continued)

controlling interest and expenses of $609,970 have been removed from the presentation of the three and nine months ended September 30, 2018 financial statements.

The following tables summarize the effects of the adjustments described above.

Line item on the amended and restated consolidated statements of operations and comprehensive loss:

	Three months ended September 30,		
	2018	Increase / Decrease	2018 Restated
Sales	$ 3,047,089	$ (2,481,205)	$ 565,884
Gross profit	5,980,273	(969,280)	5,010,993
Operating expenses	4,805,634	(3,585,042)	1,220,592
Loss from operations	10,927,557	(9,706,965)	1,220,592
Total other expenses	491,054	130,565	621,619
Loss before income tax	10,436,503	(105,178)	10,331,325
Net loss	10,599,537	(270,212)	10,329,325
Comprehensive loss	10,599,537	(270,212)	10,329,325
Comprehensive loss attributable to TILT Holdings Inc.	8,473,324	(497,389)	7,975,935
Comprehensive loss attributable to non-controlling interests	2,126,213	227,177	2,353,390

	Nine months ended September 30,		
	2018	Increase / Decrease	2018 Restated
Sales	$ 3,707,177	$ (3,141,293)	$ 565,884
Gross profit	6,051,098	(1,040,105)	5,010,993
Operating expenses	11,108,799	(3,783,718)	7,325,081
Loss from operations	17,159,897	55,406	17,215,303
Total other expenses	1,084,928	315,471	1,400,399
Loss before income tax	16,074,969	(418,936)	15,656,033
Net loss	16,266,003	(609,970)	15,656,033
Comprehensive loss	16,266,003	(609,970)	15,656,033
Comprehensive loss attributable to TILT Holdings Inc.	12,966,287	(466,083)	12,500,204
Comprehensive loss attributable to non-controlling interests	3,299,716	(143,887)	3,155,829

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 22 – **Restatement (Continued)**

Line item on the amended and restated consolidated statements of cash flows:

	Nine months ended September 30,		
	2018	Increase / Decrease	2018 Restated
Acquisition of intangible assets	$ (174,626)	$ 174,626	$ -
Advances	-	(1,163,677)	(1,163,677)
Net cash used in investing activities	(211,458)	(989,053)	(1,200,511)
Repayment of advances	(989,053)	989,053	-
Net cash provided by financing activities	3,750,943	989,023	4,739,966

For the year ended December 31, 2018

Subsequent to the issuance of the previously reported consolidated financial statement for the year ended December 31, 2018 (filed on SEDAR on May 1, 2019) management determined that the accounts payable and impairment of goodwill is overstated by $2,000,000.

In connection with the business combination with Baker (Note 1), the management identified that the total consideration was overstated by $2,000,000 related to the assumed debt due to Sea Hunter and its subsidiaries on November 13, 2018. In the previously issued consolidated financial statement, the amount was recorded as increase of accounts payable and impairment of goodwill. These amended and restated consolidated financial statements have been restated and refiled to correct this error and the related tax effect. There was no impact on the comparative figures.

The following table summarize the effects of the adjustments as described above.

Line item on the amended and restated consolidated statement of financial position:

For the period ended December 31, 2018

	2018	Increase / Decrease	2018 Restated
Due from related parties	$ 154,192	$ 316,251	$ 470,443
Total current assets	125,631,749	316,251	125,948,000
Total assets	220,919,898	316,251	221,236,149
Accounts payable and accrued liabilities	16,131,602	(1,683,749)	14,447,853
Total liabilities	18,055,729	(1,683,749)	16,371,980
Accumulated deficit	(562,436,481)	2,000,000	(560,436,481)
Total shareholders' equity (deficit)	202,864,169	2,000,000	204,864,169

Additionally, the notes were updated based on the above adjustments.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 22 – **Restatement (Continued)**

For the year ended December 31, 2018 (Continued)

The previously issued financial statements for the year ended December 31, 2018 contained an error relating to note 16 Related Party Transactions outlying the breakdown of share-based payments made to key management personnel. This error did not affect the statement of operation and comprehensive loss for the year ended December 31, 2018. The effect of the restatement relating to note 16 Related Party Transactions is shown below:

	2018	Increase / Decrease	2018 Restated
Share-based payments made to key management personnel	$ 179,049	$ 25,927,951	$ 26,107,000

This correction will also be reflected in the note disclosure relating to Related Party Transactions in the financial statements for the year ended December 31, 2019 when filed.

For the three months ended March 31, 2019

The previously issued interim financial statements for the three months ended March 31, 2019 contained an error within the statement of cash flow relating to the amount of cash paid for the acquisitions made in January 2019. The company incorrectly reported the cash paid for the acquisitions as $98,783,227 whereas the actual cash paid was $58,144,444. The result of the restatement is a decrease to accounts payable and accrued liabilities. The effect of the restatement relating to the specific line items in the statement of cash flow is shown below:

	2019	Increase / Decrease	2019 Restated
Cash paid for acquisition	$ (98,783,227)	$ 40,638,783	$(58,144,444)
Accounts payable and accrued liabilities	42,751,979	(40,638,783)	2,113,196

This correction was made by the company on a prospective basis within its interim financial statements for the six months ended June 30, 2019. It will also be reflected in the comparatives of the interim financial statements for the three months ended March 31, 2020 when filed.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

(See Attached)

TILT HOLDINGS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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TILT HOLDINGS, INC.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Background

This management's discussion and analysis (the "**MD&A**") of financial condition and results of operations for **TILT Holdings, Inc.** ("**TILT**", the "**Issuer**" or the "**Company**") is prepared as of November 20, 2019 and is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 and accompanying notes thereto, which were prepared in accordance with the International Financial Reporting Standards ("**IFRS**").

All dollar figures included therein and in the following MD&A are quoted in United States dollars.

Forward-Looking Statements

Certain statements in this MD&A may contain "forward-looking information," within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", "intend", "likely", "potential", "proposed" or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would" and "could" often identify forward-looking statements.

Specific instances of forward-looking statements in this MD&A include:

- **Company Overview:**
  - *(Cultivation and Production)* – conversion (and related timings) of the medical dispensary operated by a subsidiary in Taunton into an adult use dispensary; the timings for opening of two additional facilities in Cambridge and Brockton Massachusetts.
  - *(Consumer Devices and Packaged Goods)* – the ability to patent further iterations of the CCELL® technology and other technologies generally.
- **Key Developments During Q3 2019**
  - None to report.
- **Key Developments Subsequent to Q3 2019**
  - *(Financing Activities)* – On November 4, 2019, TILT announced that it had closed a private placement (the "**Financing**") of up to US$35 million of senior secured notes (the "**Notes**") from a syndicate consisting of existing shareholders and new investors (the "**Financing Syndicate**"). The first close was $25.6M. Any further closing of up to $9.4M would take place within 45 days, subject to approvals from both the Company and the Financing Syndicate.
- **Risk Factors and Uncertainties:**
  - (*Ability to manage growth and expansion*) – the Company's intention with respect to outsourcing resources and to hire additional personnel to manage its expected growth and expansion.

Management has based the aforementioned forward-looking statements in this MD&A on its current views with respect to future events and financial performance and has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; the Company's ability to successfully market its products to its anticipated clients; the Company's reliance on its key personnel; the certain regulatory requirements; the application of federal and state environmental laws; and the impact of increasing competition; the ability to obtain additional financing on favorable terms; receipt of applicable regulatory approvals; and the regulatory environments in which the Company operates.

These forward-looking statements are also subject to the risks and uncertainties discussed in the “Risks Factors” section of the CSE Listing Statement as filed on SEDAR on December 5, 2018 and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward-looking statements. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. The Company’s forward-looking statements are made only as of the date of this MD&A, and except as required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement. Without limiting the foregoing, statements regarding the Company’s objectives, plans and goals, including future operating results and economic performance, may refer to or involve forward-looking statements. Many factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See “*Risk Factors*” in this MD&A for further details. The purpose of forward-looking statements is to provide the reader with a description of management’s expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by applicable law.

These forward-looking statements and related risks herein, which are further discussed in the “*Risk Factors*” section, may not represent all risks to the Company and readers are cautioned not to place undue reliance on these forward-looking statements and related risks.

Company Overview

Summary

TILT is a business-to-business cannabis company, offering a diverse range of value-added products and services that support other industry participants. TILT enables other cannabis companies to operate efficiently and connect with consumers effectively. The Company realizes revenue from the sale of a broad range of cannabis products, vaporizer and inhalation devices, business and consumer delivery services and a suite of software products serving over 1,500 retailers and brands throughout the United States, Canada and Europe. The majority of TILT's products are customized to client specifications and branding.

The Company is organized into three main business units: 1) Cultivation and Production, 2) Consumer Devices and Packaged Goods and 3) Software and Services. TILT leverages competencies across the organization in research, manufacturing, packaging and technology to deliver end-to-end customer solutions. Headquartered in Cambridge, Massachusetts, with offices throughout the United States, Toronto and London, TILT has over 400 employees and has sales in 40 U.S. states, Canada and Europe.

Mission

TILT's foundation as a technology company allows it to deliver innovative, high quality and cost-effective solutions to cannabis businesses across the industry. The Company focuses largely on the supply chain, offering customizable cannabis products and services, all supported with a robust software platform that connects businesses with other businesses and consumers. TILT has in-house resources that focus on researching, cultivating, processing, packaging and delivering a full range of cannabis products and devices to manufacturers, retailers and consumers in multiple states and countries. Today, the Company's customers include over 1,500 multi-state operators, independent retailers, brands and service providers globally.

Strategy

TILT focuses on providing an end-to-end suite of solutions for retailers and brands across the cannabis industry.

For brands, TILT offers everything from wholesale product through delivery to the end consumer. In between, TILT helps brands leverage data to make informed decisions on what to manufacture, as well as provides manufacturing support, packaging support and vaporization hardware to create a finished stock keeping unit ("**SKU**"). Once the product is complete, the Company leverages its distribution and retail network to help brands enter new markets, get product on more shelves, in more stores and reach new consumers.

At the retail level, TILT helps dispensaries across the country run their businesses more efficiently. Providing distribution services to over 800 retailers, TILT delivers third-party products to ensure shelves are stocked. With TILT's ability to create customized products, the Company can also help retailers launch and carry their own custom branded SKUs.

In-store, TILT's inventory management and CRM tools help dispensaries make data-driven decisions on how to run their businesses, increase sales and operate more efficiently. Today, over 1,100 dispensaries across the country use TILT's software in their stores. In aggregate, the Company's software suite helps retailers analyze data on over 2,000,000 unique consumers to drive sales.

For new businesses, TILT provides capital needed to launch a retail store and assists in the site-selection process, architectural layout and design of the store, as well as provides in-store software needed to launch.

Cultivation and Production

In Massachusetts, TILT completed construction on an additional 50,000 square feet of cultivation and production space in Taunton, bringing the Company's total footprint in Taunton to 117,000 square feet.

TILT, through its wholly owned subsidiary Commonwealth Alternative Care Inc. ("**CAC**"), operates a medical dispensary in Taunton, which is co-located with a cultivation facility. The location is currently operating as a medical dispensary and is expected to be converted into to an adult use dispensary in the near term. Two additional facilities, located in Cambridge, Massachusetts and Brockton, Massachusetts are also expected to open in the near term, first as medical dispensaries with adult use licensing anticipated in early 2020.

Commonwealth
ALTERNATIVE CARE

Taunton Dispensary

Taunton Cultivation Facility

Taunton Manufacturing Kitchen

In Pennsylvania, TILT has a cultivation presence through its wholly owned subsidiary, Standard Farms, LLC ("**Standard Farms**"). Standard Farms products are carried in 95 percent of the state's dispensaries. Standard Farms provides clean and pure medical cannabis products including vape cartridges, capsules and dry flower. Standard Farms added four new greenhouses in June 2019 that doubled its greenhouse footprint, which now totals 31,000 square feet. Standard Farms was founded in 2017 in White Haven, Pennsylvania.

Consumer Devices and Packaged Goods

Jupiter Research, LLC ("**Jupiter**") develops and manufactures innovative hardware with vaporization technologies. Jupiter's proprietary CCELL® ceramic technology uniformly heats the oil in the vaporizer to reduce burning, producing a better user experience. CCELL® technology is patented and new patent protected iterations and technologies are always in process. Over 70% of Jupiter's sales are custom branded, further strengthening TILT's position as a B2B company.

Software and Services

TILT's wholly owned subsidiaries, Blackbird Holdings Corp. ("**Blackbird**") and Baker Technologies Inc. ("**Baker**"), provide end-to-end software and logistics solutions for retailers, wholesalers and brands, reaching a network of businesses in the industry. This combined platform connects brands to dispensaries and then to the end consumer, enabling businesses across the cannabis ecosystem to make data driven decisions.

Blackbird is a distribution and inventory management business that reaches more than 800 dispensaries and works with hundreds of brands across Nevada and California. At the wholesale level, Blackbird transports product from brands and producers to dispensaries. For dispensaries, Blackbird provides a robust inventory management and e-commerce solution that helps store owners drive revenue increases and operate more efficiently. Blackbird also provides on-demand delivery throughout California and Nevada.

Baker services over 1,100 dispensaries across the country with a cannabis-specific customer relationship management ("**CRM**") platform that helps dispensaries grow their business and build relationships with their customers by providing a number of features such as digital menus and online ordering, customer loyalty programs, and e-commerce and marketing solutions. Baker helps dispensaries better understand who their customers are and what products they like, communicating targeted campaigns from customer insights which drive repeat-visits and increased sales.

Industry Trends

TILT's focus as a cannabis business services company positions it to be successful in an ever-changing landscape. With thousands of brands and retailers throughout the United States, TILT provides support for brands and retailers, rather than primarily focusing on building the brand or dispensary chain. In the vape category, TILT supplies vaporization hardware to producers. Finally, rather than directly compete against top multi-state operators, TILT partners with them, providing software for their retail stores, hardware for their vape pens and distribution and last mile delivery for their products.

Corporate Structure

The following are the Company's principal consolidated entities and the ownership interest in each that are included in these condensed interim consolidated financial statements for the reporting period ended September 30, 2019:

Name	Place of Incorporation	Ownership Percentage
Jimmy Jang Holdings Inc.	British Columbia	100%
Jimmy Jang, L.P. and subsidiaries:	Delaware	84.81%
Santé Veritas Holdings Inc.	**British Columbia**	**100%**
Santé Veritas Therapeutics Inc.	British Columbia	100%
Jupiter Research, LLC	**Arizona**	**100%**
Jupiter Research Europe Ltd	United Kingdom	100%
Baker Technologies Inc. and subsidiaries:	**Delaware**	**100%**
Defender Marketing Services, LLC	Washington	100%
Yaris Acquisition, LLC ("Blackbird")	**Delaware**	**100%**
Blkbrd Logistics Corporation	Nevada	100%
Blkbrd CA	California	100%
Blkbrd NV, LLC	Nevada	100%
Bootleg Courier Company, LLC	Nevada	100%
Blkbrd Software, LLC	Nevada	100%
Briteside Holdings, LLC ("Briteside")	**Tennessee**	**100%**
Briteside E-Commerce, LLC	Tennessee	100%
Briteside Modular, LLC	Tennessee	100%
Briteside Oregon, LLC	Oregon	100%
Standard Farms, LLC	**Pennsylvania**	**100%**
White Haven RE, LLC	**Pennsylvania**	**100%**
Sea Hunter Therapeutics, LLC	**Delaware**	**100%**
SH Therapeutics, LLC	Florida	100%
SH Realty Holdings, LLC	Delaware	100%
SH Realty Holdings-Ohio, LLC	Ohio	100%
Commonwealth Alternative Care, Inc.	Massachusetts	100%
Cultivo, LLC	Delaware	100%
Alternative Care Resource Group, LLC	Massachusetts	100%
Verdant Holdings, LLC	Florida	100%
Verdant Management Group, LLC	Massachusetts	100%
Herbology Holdings, LLC	Florida	100%
Herbology Management Group, LLC	Massachusetts	100%
SH Ohio, LLC	Ohio	100%
SH Finance Company, LLC	Delaware	100%

Key Developments During Q3 2019

Litigation

On July 10, 2019, Parkline, Inc., a West Virginia corporation, filed a complaint in Bristol Superior Court in Taunton, MA, against Briteside and CAC, both subsidiaries of the Company. The complaint alleges breach of contract and related claims, and seeks damages of $2.1 million, which relate to amounts that Parkline alleges are owed under certain purchase orders related to the purchase of modular structures, equipment and services by Briteside for a project site controlled by CAC. The Company believes the case is defensible and intends to vigorously contest this suit.

In July 2019, Richard Komaiko and Marcie Cooperman filed a suit against Baker and TILT, on behalf of themselves and others similarly situated, alleging the Company violated federal law by spamming them and other customers with unsolicited text message marketing. The lawsuit filed in the U.S. District Court for the Northern District of California alleges that Baker and TILT violated the federal Telephone Consumer Protection Act. The Company believes that the case is defensible and intends to vigorously contest this suit.

Key Hires

On July 18, 2019, TILT announced the appointment of Tim Conder as Chief Operating Officer, effective immediately. Mr. Conder was previously the Senior Vice President of Software and Services for TILT, having joined TILT through the acquisition of his cannabis delivery and supply chain services company, Blackbird, in January 2019.

On July 29, 2019, TILT appointed Marshall Horowitz as an executive officer, in the role of General Counsel to TILT.

Refiling of 2018 and Q1 2019 MD&As

On July 30, 2019, TILT announced that amended and restated management's discussion and analysis (the "**Amended and Restated MD&As**") for the quarters and year-ended December 31, 2018 and for the three-month period ended March 31, 2019 and 2018 had been re-filed on SEDAR.

The Amended and Restated MD&As were prepared following a continuous disclosure review by the British Columbia Securities Commission ("**BCSC**") of TILT's disclosure records. The Amended and Restated MD&As were refiled to address comments received from BCSC staff and in order to improve the Issuer's disclosure. Specifically, the Q1 2019 MD&A was refiled at the request of the BCSC to:

- address the guidance provided in Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* published by the Canadian Securities Administrators on February 8, 2018;
- identify those persons party to Related Party Transactions disclosed in the MD&A;
- provide more comprehensive disclosure and discussion regarding Pro Forma Results from the quarter ended March 31, 2019;
- remove content from the MD&A deemed "promotional" by the BCSC;
- specifically identify the forward-looking statements in the MD&A;
- include a detailed listing of TILT's financial instruments; and
- discuss the impact on TILT of the implementation of IFRS 16 – *Leases*.

Furthermore, the year-end 2018 MD&A was refiled at the request of the BCSC to:

- address the guidance provided in Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* published by the Canadian Securities Administrators on February 8, 2018;
- provide more prominent and comprehensive disclosure regarding the Issuer's goodwill impairment for the year ended December 31, 2019;
- provide more prominent and comprehensive disclosure as to the Issuer's significant increase from fiscal 2017 in consulting fees, general and office expenses, professional expenses and wages and benefits;
- identify those persons party to Related Party Transactions disclosed in the MD&A;
- provide more comprehensive disclosure and discussion regarding Pro Forma Results from the year ended December 31, 2018;
- remove content from the MD&A deemed "promotional" by the BCSC;
- specifically identify the forward-looking statements in the MD&A;
- include a detailed listing of TILT's financial instruments; and
- discuss the impact on TILT of the implementation of IFRS 16 – *Leases*.

Changes to the Board of Directors

Effective September 25, 2019, Mark Cole resigned as a director from the board of directors of the TILT (the "**Board**"). Effective September 26, 2019, Geoff Hamm resigned from his roles as: (i) a director from the Board; and (ii) an officer with the position of senior vice president, corporate development.

Founders Options Forfeiture

On September 30, 2019, TILT announced that 60,217,088 stock options granted to founders at the time of the initial merger were forfeited, pursuant to agreements entered into with such remaining founders. The stock options were priced at C$5.25.

TILT announced that, in connection with the final separation of several founders of the Issuer, TILT would be issuing 9,045,690 common share purchase warrants ("**Warrants**") to such founders, with each Warrant exercisable into one common share of TILT at a price of C$1.05 for a period of five years.

Key Developments Subsequent to Q3 2019

Adult-Use Licensing

On October 15, 2019, TILT announced that its plant touching operating asset, CAC, had received local approval for the adult-use cannabis sales at its retail store in Taunton, Massachusetts. The City Council of Taunton, MA supported the approval with an 8-1 vote. CAC is awaiting final approval for the adult-use permit.

Changes to the Board of Directors

On October 15, 2019, TILT announced the appointment of Tim Condor, TILT's Chief Operating Officer and the co-founder of supply-chain and logistics company Blackbird, to the Board.

Financing Activities

On November 4, 2019, TILT announced that it had closed the Financing of up to US$35 million of Notes from the Financing Syndicate. The first close was $25.6M. Any further closing of up to $9.4M would take place within 45 days, subject to approvals from both the Company and the Financing Syndicate. Mark Scatterday, the Company's Interim CEO, and other insiders participated in the Financing.

TILT intends to use the proceeds from the Financing to continue a rapid yet disciplined focus on profitability. Continuing to concentrate on the services side of the cannabis industry, capital will be allocated to help Jupiter continue its growth as one of the largest providers of vape hardware across the US and internationally, as well as the Baker and Blackbird software and distribution platforms. The Company will also be strategically reviewing opportunities surrounding non-core assets. The Financing will be used specifically to retire in full the Company's U.S. $20 million bridge loan dated April 29, 2019 that bears interest at 18.75% per annum, as well as other payables.

The Financing Syndicate and the Company have agreed to reconstitute the Board with new independent Board members in line with new management's focus on transparency, compliance and corporate governance. The Financing Syndicate has proposed two Board members who will be appointed shortly after closing.

All Notes have a maturity date of 36 months from the closing date and will bear interest from their date of issue at 8.0% per annum, payable quarterly. In connection with the issuance of the Notes, the Company will issue 1,800 common share purchase warrants (the "**Warrants**") to the subscribers for each US$1,000 principal amount of Notes subscribed, for a total aggregate of approximately 46M Warrants (representing 45% warrant coverage on the aggregate gross proceeds of the Notes). Each Warrant is exercisable for one common share of the Company at a price of C$.33 per common share for a period of 36 months from the closing date. In addition, the previous sellers of Jupiter have agreed to restructure unsecured debt of $35 million (owed to them in connection with their sale of Jupiter) with a new maturity date of January 2023 ("**Maturity**") and an 8% per annum interest rate that accrues and is payable at Maturity, along with a junior secured position to the Financing (the "**Jupiter Debt Restructuring**"). Upon repayment of the Notes, should any Jupiter Debt be outstanding, the Jupiter Sellers will assume the same rights and security as the original Financing Syndicate until repaid. No warrants shall be issued as part of the Jupiter Debt Restructuring.

Non-IFRS Financial and Performance Measures

In addition to providing financial measurements based on IFRS, the Company provides additional financial metrics that are not prepared in accordance with IFRS. Management uses non-IFRS financial measures, in addition to IFRS financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are EBITDA, Adjusted EBITDA, Adjusted Net Income and Working Capital.

Management believes that these non-IFRS financial measures reflect the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results.

As there are no standardized methods of calculating these non-IFRS measures, the Company's methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA, Adjusted EBITDA and Adjusted Net Income

EBITDA, Adjusted EBITDA and Adjusted Net Income are financial measures that are not defined under IFRS. The Company uses these non-IFRS financial measures, and believes they enhance an investor's understanding of the Company's financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments management believes are not reflective of the Company's ongoing operations and performance. The Company calculates EBITDA as net income (loss), plus (minus) income taxes (recovery), plus (minus) interest expense (income), plus depreciation and amortization expense. Adjusted EBITDA and Adjusted Net Income exclude certain one-time, non-cash or non-operating expenses, as determined by management, including stock compensation expense, business acquisition expense, debt issuance costs, severance, unrealized (gain) loss on changes in fair value (**"FV"**) of biological (**"Bio."**) assets and fair value changes in biological assets included in inventory sold.

Working Capital

The calculation of working capital provides additional information and is not defined under IFRS. The Company defines working capital as current assets less current liabilities. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS. This information is intended to provide investors with information about the Company's liquidity. Other businesses in the Company's industry may calculate this differently than the Company does, limiting its usefulness as a comparative measure.

Reconciliation of Net Income (Loss) to Non-IFRS Measures

The table below reconciles Net Loss to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2019 ("**Q3 2019**" and "**YTD September 2019**", respectively) and the three and nine months ended September 30, 2018 ("**Q3 2018**" and "**YTD September 2018**", respectively):

	Three Months Ended		Nine Months Ended	
	Sep. 30, 2019	**Sep. 30, 2018**	**Sep. 30, 2019**	**Sep. 30, 2018**
Net Income (Loss) (IFRS)	**$26,132,651**	**($8,204,304)**	**($100,703,046)**	**($15,656,033)**
Add (Deduct) Impact of:				
Interest (Income)	($823,448)	($627,210)	($2,437,169)	($1,416,187)
Interest Expense	$5,750,210	$2,797	$9,260,381	$3,596
Income Tax Expense (Recovery)	$290,233	-	$1,306,960	-
Depreciation and Amortization	$6,032,997	$802,371	$22,552,816	$858,074
Total	$11,249,992	$177,958	$30,682,988	($554,517)
EBITDA (Non-IFRS)	**$37,382,643**	**($8,026,346)**	**($70,020,058)**	**($16,210,550)**
EBITDA (Non-IFRS)	$37,382,643	($8,026,346)	($70,020,058)	($16,210,550)
Add (Deduct) Impact of:				
Stock Compensation Expense	($37,355,753)	-	$72,713,726	-
Business Acquisition Expense	-	-	$1,420,555	-
Debt Issuance Costs	$106,140	-	$208,899	-
Severance	$110,153	-	$178,422	-
Unrealized (Gain) Loss on Changes in FV of Bio. Assets	($8,075,606)	($2,749,686)	($28,209,104)	($2,749,686)
FV Changes in Bio. Assets Included in Inventory Sold	$10,503,095	$1,625,589	$14,442,258	$1,625,589
Total Adjustments	($34,711,971)	($1,124,097)	$60,754,756	($1,124,097)
Adjusted EBITDA (Non-IFRS)	**$2,670,672**	**($9,150,443)**	**($9,265,302)**	**($17,334,647)**

Selected Financial and Operational Highlights

TILT reports the result of operations of its affiliates and subsidiaries from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of its affiliates and subsidiaries. Accordingly, the information included below may not be representative of the results of operations if such affiliates or subsidiaries had their results of operations included for the entire reporting period.

The following is selected financial data derived from condensed interim financial statements of the Company for the three and nine months ended September 30, 2019 and 2018. The selected consolidated financial information set out below may not be indicative of future performance:

	Three Months Ended		Nine Months Ended	
	Sep. 30, 2019	**Sep. 30, 2018**	**Sep. 30, 2019**	**Sep. 30, 2018**
Revenue	$46,123,322	$565,884	$119,508,466	$565,884
Cost of Goods Sold	$32,199,451	$1,531,111	$88,723,926	$1,531,111
Gross Profit, *Before FV Adj.*	$13,923,871	($965,227)	$30,784,540	($965,227)
Gross Margin %, *Before FV Adj.*	30.2%	NA	25.8%	NA
Gain on FV of Bio. Assets	$8,075,606	$2,749,686	$28,209,104	$2,749,686
FV of Bio. Assets in Inventory Sold	($10,503,095)	($1,625,589)	($14,442,258)	($1,625,589)
Gross Profit, *After FV Adj.*	$11,496,382	$158,870	$44,551,386	$158,870
Gross Margin %, *After FV Adj.*	24.9%	28.1%	37.3%	28.1%
Total Operating Expenses	($18,657,788)	$8,984,793	$139,771,329	$17,215,303
Income (Loss) from Operations	$30,154,170	($8,825,922)	($95,219,943)	($17,056,432)
Total Other Expenses (Income)	$3,731,286	($621,618)	$4,176,143	($1,400,399)
Income Tax Expense	$290,233	-	$1,306,960	-
Net income (Loss)	$26,132,651	($8,204,304)	($100,703,046)	($15,656,033)
EBITDA, Non-IFRS	($37,382,643)	($8,026,346)	($70,020,058)	($16,210,550)
Adjusted EBITDA, Non-IFRS	$2,670,672	($9,150,443)	($9,265,302)	($17,334,647)

	As of		
	Sep. 30, 2019	**Dec. 31, 2018**	**$ Change**
Cash and Cash Equivalents	$3,577,936	$97,246,666	($93,668,730)
Biological Assets	$8,624,002	$1,867,656	$6,756,346
Inventory	$39,448,434	$6,666,645	$32,781,789
Total Current Assets	$88,112,664	$125,948,000	($37,835,336)
Property, Plant & Equipment, Net	$82,389,045	$50,507,226	$31,881,819
Total Assets	$558,348,425	$221,236,149	$337,112,276
Total Current Liabilities	$146,155,982	$16,371,980	$129,784,002
Total Long-Term Liabilities	$21,960,059	-	$21,960,059
Total Shareholders' Equity	$390,232,384	$204,864,169	$185,368,215
Working Capital	($58,043,318)	$109,576,020	($167,619,338)

Summary of Quarterly Results

Quarter	Three Months Ended	Revenue	Net Income (Loss)	Adjusted Net Income (Loss)	Net Earnings (Loss) Per Share
Q3 2019	Sep. 30, 2019	$46,123,322	$26,132,651	($8,579,320)	$0.10
Q2 2019	Jun. 30, 2019	$39,007,175	($48,940,030)	($14,220,472)	($0.16)
Q1 2019	Mar. 31, 2019	$34,377,969	($77,895,668)	($17,148,498)	($0.26)
Q4 2018	Dec. 31, 2018	$2,936,452	($534,463,003)	($5,475,913)	($18.29)
Q3 2018	Sep. 30, 2018	$565,884	($8,204,304)	($8,204,304)	N/A
Q2 2018	Jun. 30, 2018	$nil	($5,325,709)	($5,325,709)	N/A
Q1 2018	Mar. 31, 2018	$nil	($2,126,021)	($2,126,021)	N/A
Q4 2017	Dec. 31, 2017	$nil	($4,133,202)	($4,133,202)	N/A

Certain prior period amounts have been reclassified to conform with the current presentation.

Q3 2019 Results of Operations (vs. Prior Quarter)

Revenue

Revenue for Q3 2019 was $46.1 million, up from $39.0 million for Q2 2019, reflecting a quarter-over-quarter increase of $7.1 million or 18.2%. The growth in revenue from Q2 2019 to Q3 2019 was primarily driven by strong wholesale channel growth in CAC.

Cost of Goods Sold and Gross Profit

Cost of goods sold for Q3 2019 was $32.2 million, up from $29.5 million for Q2 2019, reflecting a quarter-over-quarter increase of $2.7 million or 9.3%. The increase in cost of goods sold from Q2 2019 to Q3 2019 was primarily attributable to volume growth in CAC.

Before adjusting for changes in fair value of biological assets and inventory, the Company's gross profit for Q3 2019 was $13.9 million, up from $9.6 million for Q2 2019, which reflects a quarter-over-quarter increase of $4.4 million. The increase in gross profit from Q2 2019 to Q3 2019 was primarily attributable to volume growth in CAC.

Before adjusting for changes in fair value of biological assets and inventory, the Company's gross margin percentage improved from 24.5% in Q2 2019 to 30.2% in Q3 2019, reflecting a quarter-over-quarter gross margin percentage improvement of 569 basis points. The Company's improvement in gross margin percentage from Q2 2019 to Q3 2019 was primarily attributable to improvements in gross margin percentage from CAC. CAC operations continued to improve productivity and product quality, commanding favorable pricing for its products. This was slightly offset by Standard Farms quarter over quarter gross margin percentage decrease due to increased startup costs from the expansion of operations into the four greenhouses added in June 2019.

Baker and Blackbird improved gross margin percentage, driven by cost controlling measures. Jupiter also saw incremental quarter over quarter increase in gross margin percentage mainly attributable to a shift in the customer mix versus Q2 2019, with a decrease in relative volume sold to larger customers that receive volume discounts.

After adjusting for changes in fair value of biological assets and inventory, the Company's gross profit for Q3 2019 was $11.5 million, down from $25.5 million in Q2 2019, reflecting a quarter-over-quarter decrease of $14.0 million. The net decrease of $14.0 million was mainly attributable to a less material adjustment to fair value of biological assets in Q3 2019 versus Q2 2019, partially offset by increased volume in CAC.

Total Operating Expenses

Total operating expenses for Q3 2019 were ($18.7) million, down from $72.3 million in Q2 2019, reflecting a quarter-over-quarter decrease of $90.9 million. Total operating expenses in Q3 2019 largely consisted of ($37.4) million in non-cash stock compensation expense, which was $50.3 million in Q2 2019, representing a decrease of $87.7 million. The ($37.4) million in non-cash stock compensation expense is the result of a one-time forfeiture on September 30, 2019, of stock options granted to founders at the time of the initial merger that formed TILT. Excluding stock compensation expense, total operating expenses were $18.7 million and $22.0 million in Q3 2019 and Q2 2019 respectively, representing a quarter-over-quarter decrease of $3.3 million.

In addition to the quarter-over-quarter decrease in stock compensation expense, the decrease in total operating expenses from Q2 2019 to Q3 2019 was largely attributed to a decrease in professional fees, which include accounting expenses and legal expenses. On a quarter-over-quarter basis, professional fees decreased from $2.9 million in Q2 2019 to $1.5 million in Q3 2019, representing a $1.4 million decrease. The quarter-over-quarter decrease in professional fees is a result of the Company's increased focus on cost and vendor rationalization efforts.

Insurance expense decreased from $0.9 million in Q2 2019 to ($0.2) million in Q3 2019, reflecting a quarter-over-quarter decrease of $1.1 million. The quarter-over-quarter decrease in insurance expense is primarily attributable to adjustments to insurance liability.

Additionally, total operating expenses also consist of $6.0 million in SG&A related depreciation and amortization expense in Q3 2019, which is down from $6.8 million in the previous quarter. This $0.8 million quarter-over-quarter decrease in SG&A related depreciation and amortization is primarily the result of Jupiter's backlog completed amortization in Q2 2019.

Business acquisition expense also decreased from $0.2 million in Q2 2019 to $nil in Q3 2019, reflecting a quarter-over-quarter decrease of $0.2 million. This decrease in business acquisition expense from Q2 2019 to Q3 2019 is related to a decrease in M&A related spending, as the Company did not close any acquisitions in Q3 2019.

Administrative and other expense increased from $3.0 million in Q2 2019 to $3.2 million in Q3 2019, reflecting a quarter-over-quarter increase of $0.2 million. The quarter-over-quarter increase in administrative and other expense is primarily attributable to volume dependent expenses at CAC.

Wages and benefits increased from $7.3 million in Q2 2019 to $7.4 million in Q3 2019, reflecting a quarter-over-quarter increase of $0.1 million. The quarter-over-quarter increase in wages and benefits is primarily attributable to the Standard Farms greenhouse expansion.

The following is a summary of the Company's operating expenses derived from condensed interim financial statements of the Company for the three months ended September 30, 2019 and June 30, 2019:

	Three Months Ended	
	Sep. 30, 2019	**Jun. 30, 2019**
Stock Compensation Expense	($37,355,753)	$50,296,988
Depreciation and Amortization Expense	$5,987,397	$6,757,319
Wages and Benefits	$7,352,863	$7,255,888
Professional Fees	$1,494,499	$2,908,447
Business Acquisition Expense	-	$223,778
Insurance	($195,265)	$875,053
Advertising and Marketing	$535,708	$443,446
Travel	$369,852	$510,390
Administrative and Other Expense	$3,152,911	$2,984,074
Total Operating Expense	**($18,657,788)**	**$72,255,383**

Net Income

The Company recorded a net income of $26.1 million in Q3 2019, compared to a net loss of ($48.9) million in Q2 2019, which reflects a quarter-over-quarter improvement in net income of $75.0 million. The net income in Q3 2019 was largely associated with the non-cash stock compensation expense of ($37.4) million, which was $50.3 million in Q2 2019, reflecting a decrease of $87.7 million. The ($37.4) million in non-cash stock compensation expense is the result of a one-time forfeiture on September 30, 2019, of stock options granted to founders at the time of the initial TILT merger.

Excluding the one-time, non-cash or non-operating expenses identified in the reconciliation of net income to adjusted net income in this MD&A, the Company's adjusted net loss for Q3 2019 was ($8.6) million, compared to ($14.2) million in Q2 2019, which represents a quarter-over-quarter decrease in adjusted net loss of $5.6 million.

To summarize the difference in net income from Q2 2019 to Q3 2019, gross profit after adjusting for changes in fair value of biological assets and inventory, decreased from $25.5 million in Q2 2019 to $11.5 million in Q3 2019, reflecting a quarter-over-quarter decrease of $14.0 million. Additionally, total operating expenses decreased from $72.3 million in Q2 2019 to ($18.7) million in Q3 2019, representing a quarter-over-quarter decrease in total operating expenses of $90.9 million. As a result, the Company's income from operations improved from ($46.7) million in Q2 2019 to $30.2 million in Q3 2019, representing a quarter-over-quarter improvement in income from operations of $76.9 million.

This improvement in income from operations was partially offset by an increase in total other expense from Q2 2019 to Q3 2019, which was mainly attributable to an increase in interest expense. Interest expense increased from $3.2 million in Q2 2019 to $5.8 million in Q3 2019, reflecting a quarter-over-quarter increase in interest expense of $2.6 million. This quarter-over-quarter increase in interest expense is related to the Company's credit facility secured on April 29, 2019, for which a full quarter of interest expense was recognized in Q3 2019 versus recognizing only a partial quarter of interest expense in Q2 2019.

Q3 2019 Financial Condition Including Liquidity and Capital Resources

The Company closely monitors and manages its capital resources to assess the liquidity required to fund fixed asset capital expenditures and operations.

As of September, 30, 2019 and December 31, 2018, the Company had total current assets of $88.1 million and $125.9 million, respectively, which represents a decrease of $37.8 million. The decrease in total current assets from December 31, 2018 to September 30, 2019 is primarily related to a decrease in cash, partially offset by increases in biological assets and accounts receivable. Additionally, as of September 30, 2019 and December 31, 2018, the Company had total current liabilities of $146.2 million and $16.4 million, respectively, which represents an increase of $129.8 million. The increase in total current liabilities from December 31, 2018 to September 30, 2019 is primarily related to increases in accounts payable, short-term note payable, and deferred tax liability. As a result, the Company had working capital of ($58.0) million and $109.6 million as of September 30, 2019 and December 31, 2018, respectively, which represents a decrease in working capital of $167.6 million.

Cash

As of September 30, 2019, and December 31, 2018, the Company had cash and cash equivalents of $3.6 million and $97.2 million, respectively, which reflects a decrease of $93.7 million. This decrease was primarily driven by the acquisition of Standard Farms, Jupiter and Blackbird in Q1 2019.

Inventories

As of September 30, 2019, and December 31, 2018, the Company had inventories of $39.4 million and $6.7 million, respectively, which reflects an increase of $32.8 million. The increase in inventories from December 31, 2018 to September 30, 2019 was partially attributable to the additional inventories for Jupiter and Standard Farms acquired in January 2019. The Company's inventory assets as of September 30, 2019 and December 31, 2018 consisted of the following:

	As of	
	Sep. 30, 2019	**Dec. 31, 2018**
Work in Process - Cannabis Oils	$7,797,192	$1,746,420
Finished Goods - Harvested Cannabis	$2,866,317	$3,674,023
Finished Goods - Cannabis Oils	$4,866,076	$1,150,033
Finished Goods - Cartridges and Flip Cases	$21,919,575	-
Materials	$564,236	$80,881
Supplies and Accessories	$1,434,948	$15,288
Total Inventory	**$39,448,434**	**$6,666,645**

Biological Assets

As of September 30, 2019, and December 31, 2018, the Company had biological assets of $8.6 million and $1.9 million, respectively, which reflects an increase of $6.8 million. The increase in biological assets from December 31, 2018 to September 30, 2019 was attributable to the acquisition of Standard Farms in January 2019, the completed expansion of an additional 16,000 square feet of canopy space at Standard Farms, improved yields at CAC and increases in the fair value of biological assets due to biological transformation. The changes in the carrying value of biological assets as of September 30, 2019 and December 31, 2018 are as follows:

	As of	
	Sep. 30, 2019	Dec. 31, 2018
Balance, beginning of period	$1,867,656	-
Biological assets acquired in business acquisitions	$645,377	-
Net increase in fair value less costs to sell due to biological transformation	$28,209,104	$151,034
Production costs capitalized	$6,500,771	$4,030,826
Balance, prior to inventory transfer	$37,222,908	$4,181,860
Transferred to inventory upon harvest	($28,598,906)	($2,314,204)
Balance, end of period	**$8,624,002**	**$1,867,656**

Property, Plant and Equipment

As of September 30, 2019, and December 31, 2018, the Company had net property, plant and equipment ("**PP&E**") of $82.4 million and $50.5 million, respectively, which reflects an increase of $31.9 million. The increase in net property, plant and equipment from December 31, 2018 to September 30, 2019 is primarily attributable to the acquisitions of Jupiter, Standard Farms and Blackbird in January 2019. The increase in net PP&E during this period is also related to capital expenditures to build out cultivation, processing and manufacturing space in Taunton, MA at a facility ("**30B**") adjacent to CAC's existing cultivation facility in Taunton, MA ("**30A**"). The property plant and equipment balance as of December 31, 2018 and September 30, 2019 consisted of the following:

	Balance 12/31/2018	Business Acquisitions	Additions	Balance 9/30/2019
Land	-	$168,300	-	$168,300
Land Improvements	-	$386,128	$45,868	$431,996
Machinery and Equipment	$5,842,669	$437,795	$461,750	$6,742,214
Furniture and Fixtures	$340,358	$116,882	$389,754	$846,994
Buildings	-	$4,326,662	$1,987,653	$6,314,315
Greenhouse Structure	$4,703,953	$1,423,876	$1,491,838	$7,619,667
Leasehold Improvements	$25,494,115	$67,046	$17,800,560	$43,361,721
Construction in Progress	$10,307,297	-	$2,800,011	$13,107,308
Autos and Trucks	$136,434	$371,115	-	$507,549
Property not in Service	$5,486,845	$1,567,539	$528,060	$7,582,444
Total PP&E	$52,311,671	$8,865,343	$25,505,493	$86,682,507
Accumulated Depreciation	($1,804,445)	-	($2,489,017)	($4,293,462)
PP&E, net	**$50,507,226**	**$8,865,343**	**$23,016,476**	**$82,389,045**

Cash Flows

For the nine months ended September 30, 2019, cash was provided by (used in):

- Operating activities: ($12.4) million. The ($12.4) million in cash used in operating activities for YTD September 2019 consists of a cash loss from operations and other expenses of ($15.3) million, which excludes non-cash items from net loss such as stock compensation expense, depreciation and amortization expense and the impact of changes in the fair value of biological assets and inventory partially offset by increase in cash related items of $2.9 million. Cash used in operating activities for YTD September 30, 2019 also reflects a $6.7 million change in cash used in working capital items, net of effect of acquisitions, during the period.

- Investing activities: ($94.7) million. The ($94.7) million in cash used in investing activities for YTD September 2019 primarily consists of ($58.1) million in cash paid for acquisitions and ($25.5) million in purchase of property, plant and equipment, net of effect of acquisitions. Cash used in investing activities during YTD September 2019 also consists of ($9.2) million in increase in loans receivable mainly related to the Company's loan to Standard Farms Ohio and increases in accumulated interest on the Company's previously outstanding loans receivable.

- Financing activities: $13.5 million. The $13.5 million in cash provided by financing activities for YTD September 2019 primarily consists of $16.0 million in net proceeds from the Company's credit facility secured on April 29, 2019, which is partially offset by payments on lease obligations of ($1.8) million and debt issuance costs of ($1.0) million.

For the nine months ended September 30, 2019, the net increase (decrease) in cash was ($93.7) million.

The previously issued MD&A for the three months ended March 31, 2019 contained errors relating to the cash provided by (used in) operating activities and investing activities. The errors are related to the amount of cash paid for the acquisitions made in January 2019. The company incorrectly reported the cash paid to the acquisitions as $98.8 million within the statement of cash flow on the interim financial statements for the three months ended March 31, 2019, whereas the actual cash paid was $58.1 million. The result of the restatement is a decrease to accounts payable and accrued liabilities. The effect of the restatement relating to the cash provided by (used in) operating activities and investing activities is shown below:

	2019	Increase / Decrease	2019 Restated
Cash flows from Investing Activities:			
Cash paid for acquisition	($98,783,227)	$40,638,783	($58,144,444)
Net cash used in investing activities	($118,570,130)	$40,638,783	($77,931,347)
Cash flows from Operating Activities:			
Accounts payable and accrued liabilities	$42,751,979	($40,638,783)	$2,113,196
Net cash used in operating activities	$31,449,587	($40,638,783)	($9,189,196)

This correction was made by the company on a prospective basis within its MD&A for the six months ended June 30, 2019. It will also be reflected in the comparatives of the MD&A for the three months ended March 31, 2020 when filed.

Q3 2019 and YTD September 2019 Results of Operations (vs. Prior Year)

Revenue

Revenue for Q3 2019 was $46.1 million, up from $0.6 million for Q3 2018, reflecting a year-over-year increase of $45.6 million. The year-over-year increase in revenue from Q3 2018 to Q3 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal revenues.

Revenue for YTD September 2019 was $119.5 million, up from $0.6 million for YTD September 2018, reflecting a year-over-year increase of $118.9 million. The year-over-year increase in revenue from YTD September 2018 to YTD September 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal revenues.

Cost of Goods Sold and Gross Profit

Cost of goods sold for Q3 2019 was $32.2 million, up from $1.5 million for Q3 2018, reflecting a year-over-year increase of $30.7 million. The year-over-year increase in cost of goods sold from Q3 2018 to Q3 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal cost of goods sold.

Cost of goods sold for YTD September 2019 was $88.7 million, up from $1.5 million for YTD September 2018, reflecting a year-over-year increase of $87.2 million. The year-over-year increase in cost of goods sold from YTD September 2018 to YTD September 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal cost of goods sold.

Before adjusting for changes in fair value of biological assets and inventories, the Company's gross profit for Q3 2019 was $13.9 million, up from ($1.0) million for Q3 2018, reflecting a year-over-year increase of $14.9 million. The year-over-year increase in gross profit from Q3 2018 to Q3 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal revenues and cost of goods sold.

Before adjusting for changes in fair value of biological assets and inventories, the Company's gross profit for YTD September 2019 was $30.8 million, up from ($1.0) million for YTD September 2018, reflecting a year-over-year increase of $31.7 million. The year-over-year increase in gross profit from YTD September 2018 to YTD September 2019 is attributable to the prior year period reflecting the operations of a business that was still in a startup phase and had minimal revenues and cost of goods sold.

After adjusting for changes in fair value of biological assets and inventories, the Company's gross profit for YTD September 2019 was $44.6 million, up from $0.2 million for YTD September 2018, reflecting a year-over-year increase of $44.4 million. The net impact of changes in fair value of biological assets and inventories for YTD September 2019 was $13.8 million, up from $1.1 million for YTD September 2018, reflecting a year-over-year increase of $12.6 million.

Total Operating Expenses

Total operating expense for Q3 2019 was ($18.7) million, down from $9.0 million for Q3 2018, reflecting a year-over-year decrease of $27.6 million. Of the ($18.7) million in total operating expense for Q3 2019, ($37.4) million was associated with non-cash stock compensation expense and $6.0 million was associated with SG&A related depreciation and amortization, compared to $nil and $0.7 million, respectively, in Q3 2018. The Company's stock compensation expense is calculated using the Black-Scholes Model, and options are not exercisable until the stock price reaches $5.25 CAD. The remaining year-over-year decrease in total operating expense from Q3 2018 to Q3 2019 is attributable to the current year period reflecting the operations of all of TILT's currently owned businesses compared to the prior year period reflecting only the operations of one business, which was still in a startup phase at the time.

Total operating expense for YTD September 2019 was $139.8 million, up from $17.2 million for YTD September 2018, reflecting a year-over-year increase of $122.6 million. Of the $139.8 million in total operating expense for YTD September 2019, $72.7 million was associated with non-cash stock compensation expense and $21.2 million was associated with SG&A related depreciation and amortization, compared to $nil and $0.7 million, respectively, in YTD September 2018. The Company's stock compensation expense is calculated using the Black-Scholes Model, and options are not exercisable until the stock price reaches $5.25 CAD. The remaining year-over-year increase in total operating expense from YTD September 2018 to YTD September 2019 is attributable to the current year period reflecting the operations of all of TILT's currently owned businesses compared to the prior year period reflecting only the operations of one business, which was still in a startup phase at the time.

The following is a summary of the Company's operating expenses derived from condensed interim financial statements of the Company for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		Nine Months Ended	
	Sep. 30, 2019	**Sep. 30, 2018**	**Sep. 30, 2019**	**Sep. 30, 2018**
Stock Compensation Expense	($37,355,753)	-	$72,713,726	-
Depreciation and Amortization	$5,987,397	$650,250	$21,212,244	$705,953
Wages and Benefits	$7,352,863	$2,186,290	$20,583,117	$4,376,636
Professional Fees	$1,494,499	$5,284,134	$10,906,756	$9,513,862
Business Acquisition Expense	-	-	$1,420,555	-
Insurance	($195,265)	$77,700	$2,052,391	$152,559
Advertising and Marketing	$535,708	$75,862	$1,707,497	$195,415
Travel	$369,852	$710,557	$1,527,859	$1,283,184
Administrative and Other Expense	$3,152,911	$0	$7,647,184	$987,694
Total Operating Expense	**($18,657,788)**	**$8,984,793**	**$139,771,329**	**$17,215,303**

Net Income

The Company recorded a net income of $26.1 million for Q3 2019, compared to a net loss of ($8.2) million for Q3 2018, which represents a year-over-year increase in net income of $34.3 million. The net income for Q3 2019 was largely associated with the non-cash stock compensation expense of ($37.4) million in Q3 2019, which was $nil in Q3 2018, as well as $6.0 million in SG&A related depreciation and amortization expense in Q3 2019, which was $0.7 million in Q3 2018.

The Company's stock compensation expense is calculated using the Black-Scholes Model, and options are not exercisable until the stock price reaches $5.25 CAD.

Excluding the one-time, non-cash or non-operating expenses identified in the reconciliation of net income to adjusted net income in this MD&A, the Company's adjusted net income for Q3 2019 was ($8.6) million, compared to ($8.2) million in Q3 2018, which represents a year-over-year increase in adjusted net loss of $0.4 million. The differences in net income and adjusted net income from Q3 2018 to Q3 2019 are primarily attributable to the current year period reflecting the operations of all of TILT's currently owned businesses compared to the prior year period reflecting only the operations of one business, which was still in a startup phase at the time.

The Company recorded a net loss of ($100.7) million for YTD September 2019, compared to a net loss of ($15.7) million for YTD September 2018, which represents a year-over-year increase in net loss of $83.7 million. The net loss for YTD September 2019 was largely associated with the non-cash stock compensation expense of $72.7 million in YTD September 2019, which was $nil in YTD September 2018, as well as $21.2 million in SG&A related depreciation and amortization expense in YTD September 2019, which was $0.7 million in YTD September 2018. The Company's stock compensation expense is calculated using the Black-Scholes Model, and options are not exercisable until the stock price reaches $5.25 CAD.

Excluding the one-time, non-cash or non-operating expenses identified in the reconciliation of net income to adjusted EBITDA in this MD&A, the Company's adjusted net loss for YTD September 2019 was ($40.0) million, compared to ($15.7) million in YTD September 2018, which represents a year-over-year increase in adjusted net loss of $24.3 million. The differences in net income and adjusted net income from YTD September 2018 to YTD September 2019 are primarily attributable to the current year period reflecting the operations of all of TILT's currently owned businesses compared to the prior year period reflecting only the operations of one business, which was still in a startup phase at the time.

Contractual Obligations

Lease Liabilities and Obligations

The following table presents the contractual undiscounted cash flows for lease obligations as of September 30, 2019:

One to five years	$19,501,812
More than five years	$14,337,219
Total undiscounted lease liabilities at September 30, 2019	**$33,839,031**

Lease liabilities included in the condensed interim consolidated statement of financial position at September 30, 2019:

Current	$3,092,869
Non-current	$21,960,059
Total	**$25,052,928**

Interest expense on lease obligations for the nine months ended September 30, 2019 and 2018 was $0.9 million and $nil, respectively. Interest expense on lease obligations for the three months ended September 30, 2019 and 2018 was $0.4 million and $nil, respectively. All extension options that are reasonably expected to be exercised have been included in the measurement of lease obligations.

Commitments and Contingencies

Guarantees

The Company is a guarantor in the lease agreement of one of the Massachusetts dispensaries with which the Company has a management agreement. The Company may be liable for the future minimum rental payments under this lease as follows:

Year ending December 31,	Amount
October 1 to December 31, 2019	$95,167
2020	$397,969
2021	$414,159
2022	$433,981
2023	$449,878
2024 and thereafter	$2,460,116
Total	**$4,251,270**

Off-Balance Sheet Arrangements

The Company does not maintain any off-balance sheet arrangements.

Related Party Transactions

A related party is a person or an entity that is related to the reporting entity if that person or entity has control joint control or significant influence over the entity or is a member of key management personnel. There are no ongoing contractual or other commitments resulting from the transactions besides the payment of the balances outstanding. Related party balances consist of the following:

	As of	
	Sep. 30, 2019	**Dec. 31, 2018**
Loans to Shareholders	$470,443	$470,443
Payables to Key Management	-	($107,682)
Loans to / (from) Related Parties	($18,711,000)	($49,101)

Loans to Shareholders

The Company has a promissory note receivable of $152,975 from Pericles Group, LLC, a shareholder of the Company controlled by Joel Milton, a director of TILT, at September 30, 2019 and December 31, 2018. The advances under the note were made by Baker, prior to the business combination, as a loan to exercise options granted by Baker. The note bears interest at a fixed rate of 3.06%, payable in full upon the earliest of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of shares to another party.

The Company has promissory notes receivable including accrued interest totalling $317,468, from Rolesee LLC, $152,975, Ela Beach LLC, $152,975 and David Champion, $10,736, respectively each shareholders of TILT, at September 30, 2019 and December 31, 2018. The advances under the notes were made by Baker, prior to the business combination, as loans to exercise options granted by Baker to Rolesee LLC and Ela Beach LLC and for payment of personal taxes for David Champion. The promissory notes each bear interest at a fixed rate of 3.06%, payable in full upon the earliest of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of shares to another party.

Payables to Key Management

As of December 31, 2018, the Company had a payable of $107,682 to John Walker, an officer of SVH at the time. This liability was incurred prior to the business combination.

Loans from Related Parties

The Company has a payable of $18,711,000 to its interim CEO, Mark Scatterday, for his portion of the remaining purchase price related to the Company's acquisition of Jupiter. The amount is included in accounts payable and accrued expenses on the condensed interim statement of financial position. Interest is due on the unpaid balance after 91 days post close at 15% and after 151 days at 22%.

Key Management Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and the Board.

Compensation provided to key management is included in payroll and related benefits and share-based payments are included in stock compensation expense in the consolidated statement of operations. Compensation provided to key management was as follows for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended		**Nine Months Ended**	
	Sep. 30, 2019	**Sep. 30, 2018**	**Sep. 30, 2019**	**Sep. 30, 2018**
Management Compensation	$631,135	$623,750	$1,919,723	$1,278,160
Share-Based Payments	($37,873,060)	-	$60,526,948	-
Total	**($37,241,925)**	**$623,750**	**$62,446,671**	**$1,278,160**

The previously issued MD&A for the year ended December 31, 2018 contained an error relating to the Related Party Transactions disclosure outlying the breakdown of share-based payments made to key management personnel. This error did not affect the statement of operation and comprehensive loss for the year ended December 31, 2018. The effect of the restatement relating to the Related Party Transactions disclosure is shown below:

	2018	Increase / Decrease	2018 Restated
Share-based payments made to key management personnel	179,049	25,927,951	26,107,000

This correction will also be reflected in the Related Party Transactions disclosure in the MD&A the year ended December 31, 2019 when filed.

New Accounting Standards Applied

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The new standard replaced IAS 17 Leases ("**IAS 17**") and eliminated the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee requires the capitalization of all leases, resulting in accounting treatment similar to finance leases under IAS 17, which requires lessees to recognize assets and liabilities for all major leases.

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability adjusted for any deferred rent as of January 1, 2019. Right-of-use assets totaling $16,972,306 and lease obligations of $17,598,308 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of January 1, 2019. The weighted-average rate applied is 8.0%.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

The following table reconciles the Company's operating lease obligations as of December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligations recognized on the initial application of IFRS 16 as of January 1, 2019.

Operating lease commitments as of December 31, 2018	$21,434,460
Discount using incremental borrowing rate as of January 1, 2019	$(6,592,822)
Leases acquired through acquisitions	$2,756,670
	$17,598,308

Financial and Capital Risk Management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, liquidity risk, currency risk, and credit risk. Where material, these risks are reviewed and monitored by the Board.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is limited to potential changes on the cash held with financial institutions. No other financial instruments contain variable interest rates. As interest on the cash held with financial institutions is negligible, the Company considers interest rate risk to be immaterial.

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company's exposure to currency risk is minimal.

As of September 30, 2019 and December 31, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company does not have significant credit risk with respect to its customers. Financial instruments, which are potentially subject to credit risk for the Company, consist of cash, cash equivalents, loan receivables and due from related party.

Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company maintains its cash accounts at various financial institution in the United States and Canada. Federal Deposit Insurance Corporation provides insurance of up to $250,000 for cash accounts held in the banks in the United States. Canadian Deposit Insurance Corporation provides insurance of up to C$100,000 for cash accounts held in the banks in Canada. From time to time, the Company's balances may exceed this limit. The Company has not experienced any losses on its cash deposits. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other shareholders.

The capital structure of the Company consists of items included in shareholders' equity and debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. As of September 30, 2019, the Company is not subject to externally imposed capital requirements.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments". IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has adopted this new standard using the retrospective approach where the cumulative impact of adoption will be recognized in deficit as of January 1, 2018 and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39, "Financial Instruments: Recognition and Measurement", to the new measurement categories under IFRS 9.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) fair value through profit or loss ("FVTPL"); (ii) fair value through other comprehensive income; and (iii) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For financial assets and financial liabilities measured at fair value, gains or losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost at the end of the subsequent to initial recognition. All other financial assets including equity investments are measured at their fair values subsequent to initial recognition, with any changes taken through profit or loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. Evidence of increased credit risk may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its financial assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

IFRS 9 and IAS 39 Classification and Measurement

The following table provides comparison of IFRS 9 and IAS 39 in classification and measurement for various financial instruments.

	IFRS 9		IAS 39	
	Classification	Measurement	Classification	Measurement
Cash and Cash Equivalents	FVTPL	Fair Value	FVTPL	Fair Value
Trade Receivables and Others	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Due from Related Parties	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Loans Receivable	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Investments	FVTPL	Fair Value	N/A	N/A
Accounts Payable and Accrued Liabilities	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost
Due to Related Parties	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost

Issuers with U.S. Cannabis-Related Assets

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "**Staff Notice**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities.

Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that cannabis is illegal under U.S. federal law and that the U.S. enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's U.S. cannabis-related activities are conducted in a manner consistent with U.S. federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

As a result of the Company's existing operations and acquisitions in the United States, TILT is subject to the Staff Notice and accordingly provides the following disclosure.

Regulatory Overview

In accordance with the Staff Notice, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved through its subsidiaries. The Company or its subsidiaries are or are expected to be directly engaged in the manufacture, possession, use, sale, or distribution of cannabis in the medicinal cannabis marketplace in the State of California, Massachusetts, New Jersey, Nevada and Oregon. The Company is in compliance with the regulatory framework and licensing requirements for the States of Massachusetts, California, New Jersey, Oregon, and Nevada.

The Company or its subsidiaries are or are expected to be indirectly engaged in the manufacture, possession, use, sale, or distribution of cannabis in the medicinal cannabis marketplace in the States of Pennsylvania, and Ohio. The Company is not aware of any non-compliance with any licensing requirements or regulatory framework enacted by either of these U.S. States.

The Company also has ancillary involvement in the marijuana industry through the products and services it provides to customers in the following States: Colorado, Washington, New Hampshire, Oregon, New Mexico, Arizona, California, Alaska, Michigan, Maryland, Nevada, Oklahoma, Massachusetts, Maine, Vermont, New Jersey, Ohio, Pennsylvania, Montana, Connecticut, Florida, Hawaii, District of Columbia, New York and Puerto Rico. The Company is not aware of any non-compliance by its customers with any licensing requirements or regulatory framework enacted by each of these respective States.

In accordance with the Staff Notice, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Any non-compliance, citations or notices of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

Legal Advice in Accordance with the Staff Notice

Legal advice has been obtained by the Issuer regarding applicable U.S. federal and state law.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "**CSA**"). Pursuant to the CSA, cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, lacks safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." **The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any use.**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act, cannabis is largely regulated at the state level in the United States.

State laws in the United States regulating cannabis are in direct conflict with the CSA, which prohibits cannabis use and possession. Although certain states and territories of the U.S. authorize medical or recreational cannabis cultivation, manufacturing, production, distribution, and sales by licensed or registered entities, under U.S. federal law, the cultivation, manufacture, distribution, possession, use, and transfer of cannabis and any related drug paraphernalia, unless specifically exempt, is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable United States state law, strict compliance with state laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The risk of federal enforcement and other risks associated with the Company's business are described in "*Risk Factors*".

Company Compliance Program

The Company is classified as having direct, indirect and ancillary involvement in the U.S. marijuana industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by each applicable U.S. state which may have an impact on its licenses, business activities or operations.

The Company's Senior Vice President, Retail and Cultivation or any other individual appointed by him oversees, maintains, and implements the Company's compliance program and personnel. In addition to The Company's robust internal legal and compliance departments, the Company has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

The Company's Senior Vice President, Retail and Cultivation or any other individual appointed by him oversees training for all employees, including on the following topics:

- compliance with state and local laws;
- safe cannabis use;
- dispensing procedures;
- security and safety policies and procedures;
- inventory control;
- T&T training session;
- quality control;
- transportation procedures; and
- extensive ingredient and product testing, often beyond that required by law to assure product safety and accuracy.

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed-to-sale system.

The Company's Senior Vice President, Retail and Cultivation or anyone appointed by him monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

In January 2018, United States Attorney General, Jeff Sessions rescinded the Cole Memorandum.[1] The rescission of the Cole Memorandum and other Obama-era prosecutorial guidance did not create a change in federal law, as the Cole Memorandum was never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's

[1] U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement.* Washington, DC: US Government Printing Office. Retrieved from https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

guidelines should not be a prosecutorial priority. As an industry best practice, despite the rescission of the Cole Memorandum, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations of its subsidiaries and business partners are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;

- The activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;

- The Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and

- The Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

On November 7, 2018, at President Donald Trump's request, Jeff Sessions resigned from his position as Attorney General. The current Attorney General, William Barr, has not indicated that he would not "go after" parties who are involved in the cannabis business and are compliant with state law; however, until he begins enacting his policies, substantial uncertainty regarding federal enforcement remains. Regardless, the federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the Cole memorandum does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in the *Risk Factors* section below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in *Risk Factors*.

The Company's Balance Sheet and Operating Statement Exposure to U.S. Marijuana Related Activities

The following represents the portion of certain line items on the Company's consolidated financial statements that pertain to U.S. cannabis activity for the nine months ended September 30, 2019:

	U.S. marijuana-related activities	
Balance Sheet line items	Licensed[2]	Non-Licensed[3]
Cash and cash equivalents	31%	68%
Trade receivables and others	28%	72%
Inventories and biological assets	54%	46%
Other current assets	60%	38%
Property, plant and equipment	84%	4%
Intangible assets	25%	71%
Goodwill	28%	72%
Other assets	86%	9%
Accounts payable and accrued liabilities	24%	12%
Income taxes	14%	86%
Other current liabilities	4%	27%
Other long-term liabilities	83%	13%
Income Statement line items		
Revenue	28%	72%
Gross profit	55%	45%
Operating expenses	17%	17%
Total other expense (income)	(380%)	(126%)
Income tax expense	59%	0%

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that supports its annual financial statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

[2] Licensed activity includes those U.S. marijuana-related activities that have, in accordance with CSA Staff Notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities, "licensing requirements and the regulatory framework enacted by the applicable U.S. state."

[3] Non-Licensed activity includes those U.S. marijuana-related activities that do not have, in accordance with CSA Staff Notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities, "licensing requirements and the regulatory framework enacted by the applicable U.S. state."

Regulation of Cannabis at State and Local Levels

Below is a summary overview of the licensing and regulatory framework in the markets where the Company currently holds licenses and where the Company is actively expanding into the cannabis industry.

State	License Type held Directly and Indirectly by Company	Number of Licenses Allowed by Law in State	Number of Licenses/ Applications arising out of Company Direct and Indirect Involvement
California	Adult-Use and Medicinal - Distributor Temporary License	Unlimited	2
Massachusetts	Vertically Integrated Registered Marijuana Dispensary (Medical)	A person or entity may hold only three licenses of the same license type.	3 Registered Marijuana Dispensaries (1 open; 2 provisional certificates of registration); 4 Marijuana Establishments (1 cultivator application pending; 1 product manufacturer application pending; and 2 retailer applications pending)
Nevada	Marijuana Business Support Licenses	N/A[4]	3 licenses
New Jersey	Vertically Integrated Alternative Treatment Center (Medical)	12[5]	2 (2 pending applications for an Alternative Treatment Permit)
Ohio	Cultivation	26[6]	1 provisional license
	Dispensary	60[7]	1 provisional license (1 dispensary under construction)
Oregon	Dispensary	Unlimited	1 pending application
Pennsylvania	Grower/ Processor	25	1 license

[4] *Id.*
[5] There is no statutory limit on the number of permits the state may grant; however, to this point, the state has only accepted applications for 12 permits.
[6] As of September 9, 2018, additional licenses may be issued at the discretion of Ohio's Board of Pharmacy.
[7] As of September 9, 2018, additional licenses may be issued at the discretion of Ohio's Department of Commerce.

Risk Factors and Uncertainties

The following specific factors could materially adversely affect the Company. Some of the following factors are interrelated and, consequently, investors should treat such risk factors accordingly. These risks and uncertainties are not the only ones that could affect the Company and additional risks and uncertainties not currently known to the Company, or that it currently deems to be immaterial, may also impair the business, financial condition and results of operations of the Company. If any of the following risks or other risks occur, they could have a material adverse effect on the Company's business, financial condition and results of operations. There is no assurance that any risk management steps taken by the Company will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act

The Company will be engaged in the manufacturing, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. In the U.S., cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 30 states, and the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including California. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA (codified in 21 U.S.C.A. Section 812). Under United States federal law, a Schedule I controlled substance is considered to have a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the substance under medical supervision. Federal law generally prohibits commercial production and sale of all Schedule I controlled substances, and as such, cannabis-related activities, including without limitation, the importation, cultivation, manufacture, distribution, sale and possession of cannabis remain illegal under U.S. federal law. Because virtually all cannabis-related activities are illegal at the federal level, it is also illegal to aid or abet such activities or to conspire or attempt to engage in such activities. 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. The Company's involvement in such activities may result in federal civil and/or criminal prosecution, including, but not limited to, forfeiture of Company Assets.

An appropriations rider contained in the FY 2015, 2016, 2017, and 2018 Consolidated Appropriations Acts (formerly the 'Rohrabacher-Farr' Amendment) now known as the 'Leahy Amendment' provides budgetary constraints on the federal government's ability to interfere with the implementation of state-based medical cannabis laws. Although cannabis business operators are not explicitly mentioned, at least one federal district court and the Ninth Circuit Court of Appeals have interpreted the language to mean that the Department of Justice ("DOJ") cannot expend funds to prosecute state-law-abiding medical cannabis operators. The Leahy Amendment prohibits the federal government from using congressionally appropriated funds to prevent states from implementing their own medical cannabis laws, although it provides no protection to state-legal adult-use businesses. The Leahy Amendment remains in effect through September 30, the end of the 2018 fiscal year, at which point Congress will decide whether to approve its extension. The Leahy Amendment was approved by voice vote in the House Appropriations Committee for fiscal year 2019 and included in the fiscal year 2019 bill introduced in the Senate Appropriations Committee. Nonetheless, continued reauthorization of the Leahy Amendment is predicated on future political developments and cannot be guaranteed. Further, because this conduct continues to violate federal law, U.S. courts have observed that should the U.S. Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. And if the U.S. Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to most violations of the CSA.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges and penalties, including, but not limited to, disgorgement of profits, cessation of business activities, divestiture, or prison time. 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 and adult-use cannabis licenses in the U.S., its financial position, operations, profitability or liquidity. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation or defense 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.

Reputational Risks to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

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. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans 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 capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Third-Party Suppliers

The Company will be reliant on third-party suppliers to develop and manufacture its products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Company's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

Risks Associated with Banking, Financial Transactions, and Anti-Money Laundering Laws and Regulations

The Company will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the *Bank Secrecy Act*, as amended by *Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering)* and *Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account in violation of the *Bank Secrecy Act* could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store proceeds, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

As previously introduced, in February 2014, FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. Although the FinCEN Memorandum remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If the Company does not have access to the U.S. banking system, its business and operations could be adversely affected.

Other potential violations of federal law resulting from cannabis-related activities include the Racketeer Influenced Corrupt Organizations Act ("**RICO**"). RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject the Company to civil and/or criminal penalties. Furthermore, while there are no current intentions to declare or pay dividends on the Company Common Shares or the Company Compressed Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. The Company could likewise be required to suspend or cease operations entirely.

Federal and State Forfeiture Laws

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, seizure of assets, disgorgement of profits, cessation of business activities or divestiture. As an entity that conducts business in the cannabis industry, the Company will be potentially subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state or local police force that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Members of the Company located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Members and prospective members of the Company should be aware of these potentially relevant federal and state laws in considering whether to invest in the Company.

Risk of Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, intended operations of the Company (and currently of the Constituents) in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on our ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited ("**CDS**") is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. If CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Company Common Shares to make trades. In particular, the Company Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Company Common Shares through the facilities of a stock exchange.

In the United States, many clearing houses for major broker-dealer firms, including Pershing LLC, the largest clearing, custody and settlement firm in the United States, have refused to handle securities or settle transactions of companies engaged in cannabis related business. Many other clearing firms have taken a similar approach. This means that certain broker-dealers cannot accept for deposit or settle transactions in the securities of companies, which may inhibit the ability of investors to trade in our securities and could negatively affect the liquidity of our securities.

In addition, on November 24, 2017, the TMX Group provided an update regarding issuers with cannabis-related activities in the United States and confirmed that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have cannabis-related activities in the United States and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. On February 8, 2018, CDS signed a memorandum (the "**CDS MOU**") with the Exchanges. The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of Company Common Shares to make trades. In particular, the Company Common Shares would become highly illiquid as investors would have no ability to effect a trade of Company Common Shares through the facilities of a stock exchange.

Additionally, in March 2019, the Boston Globe published the first of a series of investigative articles that examine the expansion practices of various multi-state operators, including TILT subsidiary, Sea Hunter Therapeutics, LLC[8]. Steve Hoffman, the chair of the Massachusetts Cannabis Control Commission, commented that public statements from operators that state they control more licenses than permitted by the state's regulations are "stupid" because these operators will not "be able to go forward."

Any restrictions imposed by the CSE or other applicable exchange on the business of the Company and/or the potential delisting of the Company Common Shares from the CSE or other

[8] Wen, Patricia. "You Can't Own More Than 3 Pot Shops, but These Companies Test the Limits – and Brag About it." (March 21, 2019), https://www.bostonglobe.com/news/special-reports/2019/03/21/seahunter/okkkbXkh38kTkH9HDiiFXL/story.html

applicable exchange or regulatory agency would have a material adverse effect on the Company and on the ability of holders of Company Common Shares to make trades.

Negative Impact of Regulatory Scrutiny on Raising Capital

The Company's business activities will rely on newly established and/or developing laws and regulations in multiple jurisdictions. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other applicable federal, state, or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

Risk of Regulatory or Political Change

The success of the Company's business strategy depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To our knowledge, there are to date a total of 30 states and the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including California, and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the Company's ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Company is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Company, and thus, the effect on the return of investor capital, could be detrimental. We are unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

The commercial, medical and adult-use cannabis industries are in their infancy and the Company anticipates such regulations will be subject to change as the jurisdictions in which the Company will carry on business matures. The Company expects to put in place a detailed compliance program which will oversee, maintain, and implement the compliance program and personnel. In addition to its robust legal and compliance departments, the Company also has local regulatory/compliance counsel engaged in every jurisdiction in which it operates. The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, the Company will create comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the cannabis industry.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

Uncertainty Surrounding Existing Protection from U.S. Federal Prosecution

Pursuant to the Leahy Amendment, until September 2018, the DOJ is prohibited from expending any funds to prevent states from implementing their own medical cannabis laws. If the Leahy Amendment or an equivalent thereof is not successfully included in the next or any subsequent federal omnibus spending bill, the protection which has been afforded thereby to U.S. medical cannabis businesses in the past would lapse, and such businesses would be subject to a higher risk of prosecution under federal law. Although unlikely, there is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the Leahy Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. 62% of the combined House of Representatives and the Senate represent states with medical cannabis laws enacted or in process.

Risks generally related to the Company

The Company cannot assure profitability. The Company is a development stage company with no operating history, and a history of losses.

The Company has yet to begin generating operating revenue, so it is extremely difficult to make accurate predictions and forecasts of its finances. This difficulty is compounded by the fact that the Company operates in the cannabis industry, which is continuously evolving. Thus, there is no guarantee that the Company's products or services will be attractive to potential consumers.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's finances and operations may differ materially from management's expectations. The process for estimating the Company's revenue, net income and cash flow requires subjective judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses is performed. However, these assumptions may not prove to be accurate, and other factors may affect the Company's financial condition and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in growth and regulatory compliance, which could have a material adverse effect on the Company's operations, financial condition and cash flow. In addition, changes in regulations, heightened enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increase compliance costs or generate material liabilities. Any of these occurrences could have a material adverse effect on the Company's, operations and financial condition. Our efforts to grow the Company may be costlier than we expect, and we may not be able to increase our revenue sufficiently to offset higher operating expenses. We may incur significant losses in the future for a number of reasons, including other risks described herein, unforeseen expenses, compliance or operating difficulties, complications and delays, and other events presently unknown to the Company.

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

The Company's operations will be subject to various state and federal laws, regulations and guidelines relating to the manufacturing, managing, packaging/labelling, advertising, selling, transporting, storing, and disposing of cannabis, including laws and regulations relating to controlled substances, health and safety, the conduct of business operations, and the protection of the environment. Achievement of the Company's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company.

The Company will be required to obtain or renew further government permits and licenses for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

There is no assurance that the Company's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

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, results of operations or prospects.

The Company endeavors to comply with all relevant laws, regulations and guidelines. However, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such state laws, regulations and guidelines as described elsewhere in this prospectus.

The Company is subject to uncertainty and change regarding the legal and regulatory status of cannabis.

Achievement of the Company's business objectives is contingent, in part, upon complying with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The Company will incur ongoing costs and obligations related to regulatory compliance. The regulatory regime which oversees cannabis is undergoing significant proposed changes and the Company cannot predict the impact of those changes on its business. Similarly, the Company cannot predict a timeline for securing the appropriate regulatory approvals and licenses for its products, or the extent of testing and documentation that may be required by government authorities. Any delays or failures in obtaining required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business operations and finances of the Company. Failure to adapt and comply with regulations may result in additional costs for the Company through corrective measures, penalties and increased restrictions on the Company's operations. In addition, changes to regulations, heightened enforcement thereof and other unanticipated events could have a material adverse effect on the Company's operations and finances by requiring extensive changes to the Company's operations, increasing compliance costs, generating material liabilities, and effecting other aspects of the Company that are currently unknown.

The Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruptions of the Company's ongoing business; (ii) distractions of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings may not be realized fully, or at all, and may take longer than expected; (v) an increase in the scope and complexity of the Company's operations; and (vi) a loss or reduction of control over certain Company assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the Company's operations, business prospects, and finances. A strategic transaction may result in a significant change to the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results, and finances.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There is no assurance that the Company will be profitable, earn revenues, or pay dividends. The Company has incurred, and anticipates that it will continue to incur, substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the results of the Company's operations, cash flow, financial condition, and variable and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance as to the amount of any such dividends.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

If the Company implements it business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and information systems, stringent control of costs, the ability to attract and retain qualified management personnel, and the training of new personnel. The Company intends to outsource resources, and hire additional personnel to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of its equity.

Differing Local Rules and Regulations May Limit Ability to Expand into New Markets

Expansion of the Company's business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose the Company to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject the Company to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Company. For example, different localities may impose different rules on how cannabis may be cultivated, manufactured, processed, distributed and/or transported. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where its sale and use is currently legal, or if existing state laws are repealed or curtailed, the Company's business operations would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of marijuana-related legislation could adversely affect the company, its business operations and its investments.

The Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties.

As long as cannabis remains illegal under U.S. federal law, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The ownership and protection of our intellectual property rights is a significant aspect of the Company's future success. Currently we rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. We try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as our partners, collaborators, employees and consultants. If any of these parties breach these agreements we may not have adequate remedies available. Additionally, our trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which case our business, financial condition, and operations could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of the Company's current or future intellectual property rights and enforcing those rights could be difficult, expensive, time-consuming and unpredictable. Identifying unauthorized use of intellectual property rights is difficult and the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors and the processes used to produce such products. Additionally, some or all of the Company's current or future trademarks, patents, proprietary know-how, arrangements, agreements, or other intellectual property rights seeking to protect the Company, may be found invalid, not infringed, unenforceable, or anti-competitive in an infringement proceeding. An adverse result in any litigation or defense proceedings could put one or more of the Company's current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the Company's financial condition and operations.

Other parties may claim that the Company's products infringe on their proprietary and other protected rights. Such claims, if meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. The Company may also need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. As such, the Company may not be able to obtain or utilize such rights or licenses at all or on terms that are favorable to the Company.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced into litigation to enforce or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract the Company's management from focusing on operations. The existence and/or outcome of any such litigation could harm the Company's business. Because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some jurisdictions, the Company may face additional difficulties in defending its intellectual property rights.

Enforceability of Contracts

Due to the nature of the Company's intended business and the fact that its contracts will involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, operations, sales, cash flow and financial condition.

The Company's operations are subject to environmental regulation.

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government environmental approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permit requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Tax Risk

Section 280E of the Internal Revenue Code, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). Section 280E drastically increases federal taxes for cannabis businesses operating under state-sanctioned regulatory programs because they are required to pay taxes on their operating expenses and are barred from taking standard deductions available to most other businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. The Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Consequently, there is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

The Company does and expects to continue to face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, there is potential that the cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and product offerings that are greater than those of the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed on terms it considers acceptable. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's business, financial condition and operations.

The legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of cannabis for medical purposes in some form or another. Increased international competition and limitations placed on the Company by local regulations might lower the demand for the Company's products on a global scale.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's acting CEO, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in targeted areas. The Company's inability to attract and retain employees or engineering and technical support resources could have a material adverse effect on the Company's business, operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

Further, the Company's ability to grow, store and sell cannabis in the United States is dependent on the ability of the Company to obtain a license to do so. The Company does not currently hold a license and there can be no assurance that the Company will receive such a license in a timely manner, or at all. The licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operations of the Company.

The Company may not be able to develop and maintain lasting relationships with consumers.

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain consumers, including but not limited to the Company's brand awareness, its ability to continually produce desirable and effective cannabis products, the successful implementation of the Company's consumer-acquisition plan and the continued growth in the aggregate number of consumers purchasing cannabis products. The Company's failure to acquire and retain consumers could have a material adverse effect on the Company's business, financial condition and operations.

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in several ways, including the loss of strategic partners if they are acquired by or enter into relationships with a competitor, the loss of customers, revenue and market share, or the Company being forced to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operations. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on prices for its products, which could negatively impact the Company's profitability.

The Company may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company. There can be no assurance that additional capital or other types of financing will be available or that, if available, the terms of such financing will be favorable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may 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 pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize security over the assets of the Company. There is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

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 labelling disclosure. 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. 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 thereto. 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. Additionally, if one of the Company significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any reason could lead to decreased demand for the Company's products and could have a material adverse effect on the operations and financial condition of the Company.

The Company is reliant on key inputs, and any interruption of these services could have a material adverse effect on the Company's finances and operation results.

The Company's business is dependent on several key inputs related to its growing operations and is a vertically integrated U.S. based consumer packaged goods and pharmaceutical manufacturer in the cannabis industry costs related the is a vertically integrated U.S. based consumer packaged goods and pharmaceutical manufacturer in the cannabis industry including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operations of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operations of the Company.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to follow such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, curtailment of the Company's operations, and even prison sentences, any of which could have a material adverse effect on the Company's business, financial condition and operations.

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.

The Company has and will continue to enter into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services regarding its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from many threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments like those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Management may not be able to successfully implement adequate internal controls over financial reporting.

Proper systems of internal controls over financial accounting and disclosure are critical to the operation of a public company. However, the Company does not expect that its DCP and ICFR will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operations could be materially adversely affected, which could cause investors to lose confidence in the Company's reported financial information, which in turn could result in a reduction in the value of is a vertically integrated U.S. based consumer packaged goods and pharmaceutical manufacturer in the cannabis industry Company.

The Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer perception.

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (if accurate or with merit) regarding the consumption of cannabis products for medical purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any product, or consistent with earlier publicity.

Future research, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products, operations and financial condition. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (if accurate or with merit), could have an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of 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 legally, appropriately or as directed.

Volatility in the Market Price of the Company's Securities

Securities of cannabis companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The value of the Company's securities is also likely to be significantly affected by short-term changes in cannabis, by the Company's financial condition or results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters. As a result of any of these factors, the market price of the Company's equity securities at any given point in time may not accurately reflect their long-term value.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price will not occur. The market for the Company's equity will be subject to market trends generally, notwithstanding any potential business of the Company.

Dated: November 20, 2019