



RUBICON ORGANICS INC.

Canadian Securities Exchange Form 2A

Listing Statement

October 5, 2018

Note to Reader:

This Listing Statement contains the long form final prospectus of Rubicon Organics Inc. (the “**Issuer**”) dated October 2, 2018 (the “**Prospectus**”). Certain sections of the Canadian Securities Exchange (“**CSE**”) form of Listing Statement have been included following the Prospectus to provide additional disclosure on the Issuer, as required by the CSE.

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RUBICON ORGANICS INC.

CSE Form 2A Listing Statement

1. Table of Concordance

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2. Schedule A: Final Prospectus of the Issuer dated October 2, 2018

See attached.

No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

The securities offered under this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) or the securities laws of any state, and may not be offered in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act, “U.S. Persons”) unless an exemption from registration is available. See “Plan of Distribution”. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy these securities in the United States or to any U.S. Person.

New Issue

PROSPECTUS

October 2, 2018



Rubicon Organics Inc.

3,658,820 Common Shares and 1,829,410 Warrants Issuable on Exercise of 3,658,820 Special Warrants

This prospectus qualifies the distribution of 3,658,820 common shares (the “**Common Shares**”) and 1,829,410 common share purchase warrants (the “**Warrants**”) of Rubicon Organics Inc. (the “**Company**” or “**Rubicon**”) issuable for no additional consideration upon the exercise or deemed exercise of 3,658,820 special warrants (the “**Special Warrants**”) issued on July 5, 2018 at a price of C\$3.25 each (the “**Offering Price**”) to purchasers in British Columbia, Alberta, Saskatchewan and Ontario (in addition to purchasers resident in jurisdictions outside of Canada) on a private placement basis pursuant to prospectus exemptions under applicable securities legislation for aggregate gross proceeds of C\$11,816,168 (the “**Offering**”).

The Special Warrants and the Corporate Finance Fee Special Warrants (as defined below) were issued pursuant to the terms of a special warrant indenture dated July 5, 2018 (the “**Special Warrant Indenture**”) between the Company and Odyssey Trust Company, as special warrant agent thereunder, and an agency agreement dated July 5, 2018 (the “**Agency Agreement**”) among the Company, Canaccord Genuity Corp. (“**Canaccord Genuity**”), as sole bookrunner and co-lead agent, Mackie Research Capital Corporation, as co-lead agent, and Haywood Securities Inc. (collectively, the “**Agents**”). The Offering Price and the other terms of the Offering were determined by arm’s length negotiation between the Company and the Agents. See “Plan of Distribution”.

The Warrants will be governed by the terms of a warrant indenture dated July 5, 2018 (the “**Warrant Indenture**”) between the Company and Odyssey Trust Company, as warrant agent thereunder. Each Warrant entitles the holder thereof to purchase one common share in the capital of the Company (a “**Warrant Share**”) at a price of C\$4.20 per Warrant Share until 3:00 p.m. (Vancouver time) on July 5, 2020, subject to adjustment in certain events. See “Description of Securities Being Distributed”.

This Prospectus also qualifies the distribution of 183,431 Compensation Warrants (as defined below) issuable for no additional consideration upon the exercise or deemed exercise of 183,431 Broker Warrants (as defined below) issued on July 5, 2018 to the Agents.

The Special Warrants, the Corporate Finance Fee Special Warrants (as defined below) and the Broker Warrants are not available for purchase pursuant to this prospectus and no additional funds are to be received by the Company from the distribution of the securities issuable upon the exercise or deemed exercise of the Special Warrants, Corporate Finance Fee Special Warrants or Broker Warrants.

The table below sets out the total price to subscribers, the fees paid to the Agents and the net proceeds to the Company under the Special Warrant Offering.

	<u>Price to Subscribers</u>	<u>Agents’ Fee ⁽¹⁾⁽²⁾⁽³⁾</u>	<u>Net Proceeds to Company ⁽⁴⁾</u>
Per Special Warrant:	C\$3.25	C\$0.23 ⁽⁵⁾	C\$3.02 ⁽⁵⁾
Per Special Warrant (President’s List)	C\$3.25	C\$0.08 ⁽⁵⁾	C\$3.17 ⁽⁵⁾
Total:	C\$11,816,168.00	C\$531,156.16	C\$11,285,011.84

Notes:

- (1) The Agents were paid a cash fee of 7% of the gross proceeds from the Offering, excluding proceeds received from certain “President’s List” subscribers, and 2.5% of the gross proceeds from the “President’s List” subscribers (collectively, the “**Agents’ Fee**”). See “*Plan of Distribution*”.
- (2) Canaccord Genuity was granted an additional corporate finance fee of C\$215,000, C\$140,000 of which was paid in cash, and C\$75,000 of which was paid by issuing 23,076 special warrants (the “**Corporate Finance Fee Special Warrants**”) to Canaccord Genuity. This Prospectus qualifies the Common Shares and Warrants issuable upon the exercise or deemed exercise of the Corporate Finance Fee Special Warrants (together with the Common Shares and Warrants issuable upon the exercise or deemed exercise of the Special Warrants and the Compensation Warrants issuable upon the exercise or deemed exercise of the Broker Warrants, the “**Qualified Securities**”). The Corporate Finance Fee Special Warrants have the same terms as the Special Warrants and are governed by the Special Warrant Indenture.
- (3) The Agents, and certain registrants comprising the selling group, were also granted an aggregate of 183,431 broker warrants of the Company (the “**Broker Warrants**”), representing 7% of the Special Warrants sold under the Offering, excluding Special Warrants sold to “President’s List” subscribers, and 2.5% of the Special Warrants sold to “President’s List” subscribers. Each Broker Warrant is exercisable for one compensation warrant of the Company (the “**Compensation Warrants**”), each of which is exercisable for one Common Share, subject to adjustment in certain circumstances, at the Offering Price until July 5, 2020. The issuance of the Compensation Warrants upon exercise of the Broker Warrants is qualified by this prospectus. See “*Plan of Distribution*”.
- (4) After deducting the Agents’ Fee, but before deducting the expenses of the Offering and the qualification for distribution of the Qualified Securities. The expenses of the Offering and the qualification for distribution of the Qualified Securities are estimated to be C\$450,000, and will be paid by the Company out of the net proceeds of the Offering.
- (5) Amounts are rounded to the nearest whole cent.

The following table sets out the number of compensation securities that were issued by the Company to the Agents and certain registrants comprising the selling group:

<u>Agents’ Positions</u>	<u>Number of Additional Securities</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Corporate Finance Fee Special Warrants	23,076 Common Shares and 11,538 Warrants	Automatically exercisable on the Deemed Exercise Date (as defined below)	Nil
Broker Warrants	Compensation Warrants exercisable for 183,431 Common Shares at C\$3.25 per Common Share on or before July 5, 2020	Automatically exercisable on the Deemed Exercise Date (as defined below)	Nil

The Special Warrant Indenture provides that the Special Warrants will be deemed to be exercised on the earlier of (the “**Deemed Exercise Date**”): (i) the fifth business day after the date on which a receipt for the final prospectus of the Company qualifying the distribution of the Qualified Securities issuable on exercise of the Special Warrants (the “**Final Receipt**”) has been issued by the applicable securities regulatory authorities in the Qualifying Jurisdictions (as hereunder defined); and (ii) November 2, 2018, at which time each Special Warrant shall be automatically exercised into one Common Share and one Warrant, subject to adjustment in certain circumstances, without payment of any additional consideration and without any further action on the part of the holder. If the Final Receipt is not issued by the securities regulators in the Qualifying Jurisdictions on or prior to November 2, 2018, each Special Warrant will be exercisable into 1.1 Common Share and 0.55 Warrants. See “*Plan of Distribution*”.

The Special Warrants were purchased by subscribers pursuant to private placement exemptions from the prospectus requirements in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario (the “**Qualifying Jurisdictions**”) and in jurisdictions outside of Canada in compliance with laws applicable to each such subscriber, respectively, and were issued under and are governed by the Special Warrant Indenture. There is no market through which the Special Warrants may be sold and none is expected to develop.

The Offering was conducted in part on a certificated basis and in part through the book-based system. The Special Warrants settled by the book-based system were issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”) and deposited with CDS on the date of the closing of the Offering. The Common Shares and Warrants issued upon the deemed exercise of the Special Warrants settled by the book-based system will also be held by CDS. Only purchasers who received certificated Special Warrants will receive definitive certificates representing the Common Shares and Warrants upon the deemed exercise. See “*Plan of Distribution*”.

The Company is neither a “connected issuer” nor a “related issuer” of the Agents as defined in National Instrument 33-105 — *Underwriting Conflicts*.

Certain legal matters in connection with the Offering are being reviewed on behalf of the Company by Borden Ladner Gervais LLP and on behalf of the Agents by DLA Piper (Canada) LLP.

No additional proceeds will be received by the Company, and no commission or fee will be payable by the Company to the Agents, in connection with the issuance of the Qualified Securities upon exercise or deemed exercise of the Special Warrants.

There is currently no market through which any of the Special Warrants, Warrants, Broker Warrants, Compensation Warrants, Common Shares or Warrant Shares may be sold and purchasers may not be able to resell securities owned by them. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulations. See “Risk Factors”.

As of the date of this prospectus, the Company does not have any of its securities listed or quoted, and has not applied or intend to apply, to list or quote any of its securities on the Toronto Stock Exchange, Aequis NEO Exchange Inc., a United States marketplace, or a marketplace outside Canada and the United States of America.

The Canadian Securities Exchange (the “CSE”) has conditionally approved the listing of the Common Shares. Listing is subject to the Company’s fulfilling all of the requirements of the CSE.

Due to the nature of the Company’s business, an investment in any securities of the Company is speculative and involves a high degree of risk that should be considered by potential investors. An investment in the Company’s securities should only be undertaken by those persons who can afford the total loss of their investment. In reviewing this prospectus you should carefully consider the matters described under the heading “Risk Factors” of this prospectus.

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding, or disposing of Company’s securities, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian corporation that acquires Company’s securities.

Prospective investors should rely only on the information contained in this prospectus. Neither the Agents nor the Company has authorized anyone to provide you with different information. Readers should assume that the information appearing in this prospectus is accurate only as of its date, regardless of its time of delivery. The Company’s business, financial condition, financial performance and prospects may have changed since that date.

This prospectus qualifies the distribution of securities of an entity that indirectly derives a portion of its revenues from the cannabis industry in certain U.S. states, which is illegal under United States federal law. The Company is involved in the cannabis industry in Washington and California where local state law permits such activities, as well as the medical cannabis industry in Canada. Currently, Canada regulates medical use and commercial activity involving medical cannabis. Bill C-45, which proposes the enactment of the Cannabis Act, recently received Royal Assent and is anticipated to be implemented no later than October 17, 2018. The Cannabis Act will regulate the production, distribution and sale of cannabis for unqualified adult use.

As at June 30, 2018, approximately US\$10.8 million (50%) of the Company’s assets are in the United States for the purpose of providing ancillary services to licensed cannabis operators. These ancillary services include leasing or subleasing turnkey facilities, licensing brands, and the sale of non-cannabis materials including packaging, processing supplies and organic soil. For the six months ended June 30, 2018, approximately 85% of the Company’s revenue was generated in connection with cannabis related operations in the United States (including via certain entities that are included in the consolidated financial statements of the Company under IFRS who sell cannabis, but are not subsidiaries of the Company).

Almost half of the U.S. states have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC.

Notwithstanding the permissive regulatory environment of medical cannabis at the state level, all cannabis continues to be categorized as a controlled substance under the United States *Controlled Substances Act* (the “CSA”) in the United States and as such, activities related to cannabis may be in violation of federal law in the United States. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant

to it are paramount and in case of conflict between federal and state law, the federal law must be applied. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities will enforce current federal law, which would adversely affect the current and future investments of the Company in the United States. As such, there are a number of risks associated with the Company's operations in the United States. For the reasons set forth above, the Company's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited 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. The TMX Group, owner and operator of CDS subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary and that they were working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, the TMX Group issued a further statement acknowledging that the matter is complex and touches multiple aspects of Canada's capital market system and, as such, requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange's role in applying listing requirements, including exchange rules related to issuers' compliance with applicable laws. In the interim, the TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. On February 8, 2018, CDS signed a memorandum of understanding (the "CDS MOU") with the Aequis NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, 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 is currently no CDS ban on the clearing of securities of issuers with marijuana-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 holders of Common Shares and Warrants to make trades. In particular, the Common Shares and Warrants would become highly illiquid as investors would have no ability to effect a trade of the Common Shares or Warrants through the facilities of a stock exchange. See "*Risk Factors*".

The Company has retained United States legal counsel in order to monitor the United States regulatory regime, including all United States Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction and to proactively advise management and the Board of Directors of the Company on ongoing regulatory matters. For a more detailed description of the United States cannabis regulatory framework, see "*Our Business*".

The Company's registered and records office is located at 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, British Columbia V7X 1T2. The Company's head office is located at #505-744 West Hastings Street, Vancouver, BC V6C 1A5.

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our” or the “Company” refer to Rubicon Organics Inc. (formerly West Coast Land Corporation) and its direct and indirect subsidiaries.

Certain capitalized terms and phrases used in this prospectus are defined in the “*Glossary of Terms*” beginning on page 81.

Readers should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this prospectus is accurate only as at its date. The Company’s business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its consolidated financial statements in United States dollars. Canadian dollars are referred to in this prospectus as “C\$” and United States dollars are referred to as “US\$”.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and are included in this prospectus. See “*Financial Statements*”:

1. Audited financial statements of the Company including: the statements of income and comprehensive income, the statements of changes in equity, and the statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the statements of financial position as at the end of December 31, 2017 and 2016 (the “**ROI Audited Financial Statements**”);
2. Unaudited condensed interim financial statements of the Company including: the condensed interim statements of income and comprehensive income (unaudited), the condensed interim statements of changes in equity (unaudited), and the condensed interim statements of cash flows (unaudited) for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017; and the condensed interim statements of financial position as at June 30, 2018 and December 31, 2017 (the “**ROI Interim Financial Statements**”);
3. Audited consolidated financial statements of Rubicon Holdings Inc. (“**RHI**”) including: the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity, and the consolidated statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the consolidated statements of financial position as at the end of December 31, 2017 and 2016 (the “**RHI Audited Financial Statements**”);
4. Unaudited condensed interim consolidated financial statements of RHI including: the condensed interim consolidated statements of loss and comprehensive loss (unaudited), the condensed consolidated interim statements of changes in equity (unaudited), and the condensed consolidated statements of cash flows (unaudited) for the three months ended March 31, 2018 and the three months ended March 31, 2017; and the condensed interim consolidated statements of financial position (unaudited) as at March 31, 2018 (the “**RHI Interim Financial Statements**”);
5. Pro forma consolidated statement of financial position (unaudited) of the Company, as at March 31, 2018, which gives effect to the acquisition of RHI, as if it had taken place as at March 31, 2018; and
6. Pro forma consolidated statement of loss and comprehensive loss (unaudited) of the Company that gives effect to the acquisition of RHI, since January 1, 2017, as if it had taken place on January 1, 2017, for each of the following periods:
 - a. the year ended December 31, 2017; and
 - b. the three months ended March 31, 2018.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The high, low and closing noon spot rates for Canadian dollars in terms of the United States dollar for each of the three most recent years ended December 31 and six months ended June 30 as quoted by the Bank of Canada, were as follows:

	Year ended December 31 (C\$)		
	2017 ⁽¹⁾	2016 ⁽²⁾	2015 ⁽²⁾
High.....	1.3743	1.4589	1.3990
Low.....	1.2128	1.2544	1.1728
Closing	1.2545	1.3427	1.3840

	Six months ended June 30 (C\$)	
	2018	2017 ⁽¹⁾
Daily Average.....	1.3168	1.2977

⁽¹⁾ For the 2017 period, all exchange rates are based upon the daily average exchange rates provided by the Bank of Canada. As of April 28, 2017, the Bank of Canada changed how it published foreign exchange rates. The Bank of Canada no longer produces noon and closing daily exchange rates, in favour of daily average exchange rates. This transition began on January 1, 2017.

⁽²⁾ For the 2015 and 2016 periods, all exchange rates are based upon the daily noon exchange rates provided by the Bank of Canada.

On October 1, 2018, the daily average exchange rate provided by the Bank of Canada in terms of the United States dollar was US\$1.00 = C\$1.2803.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled "*Prospectus Summary*", "*Our Business*", "*Use of Proceeds*", "*Management's Discussion and Analysis*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the intention to complete the listing of the Common Shares on the CSE and all transactions related thereto
- the Company's expectations regarding its revenue, expenses and operations
- the Company's anticipated cash needs and its needs for additional financing
- the Company's intention to grow the business and its operations
- expectations with respect to future production development, costs and capacity
- expectations with respect to the approval of the Company's licenses
- expectations with respect to the future growth of the Company's medical cannabis products, including delivery mechanisms
- the Company's competitive position and the regulatory environment in which the Company operates
- any commentary related to the legalization of medical or recreational cannabis and the timing related to such legalization
- the Company's intention to exploit opportunities for the production, processing, distribution and sale of cannabis products in the United States
- the Company's expected business objectives for the next 12 months
- the Company's ability to obtain additional funds through the sale of equity or debt commitments
- the Company's ability to attract new customers
- the Company's ability to attract, hire and retain employees
- the Company's ability to obtain and retain organic certification
- the Company's belief that organic products will command a higher price in the marketplace
- general economic and political conditions
- the use of net proceeds of the Offering
- the Company's cash burn rate
- the Company's ability to obtain licenses and comply with regulatory requirements
- medical benefits, viability, safety, efficacy and social acceptance of cannabis
- anticipated trends and challenges in the Company's industry
- the Company's business and the markets in which it operates

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. In making the forward looking statements included in this prospectus, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that our current good relationships with our suppliers, service providers and other third parties will be maintained. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.

- uncertainty about the Company's ability to continue as a going concern.
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations.
- there are factors which may prevent the Company from the realization of growth targets.
- the Company is reliant on cultivation licenses to produce medical cannabis products in Canada.
- the Company is subject to changes in laws regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.
- the Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products.
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable.
- the Company's officers and directors control a large percentage of the Company's issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting the Company and its business.
- there is no assurance that the Company will turn a profit or grow revenues.
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.
- the Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the United States.
- 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 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's operations are subject to environmental regulation in the various jurisdictions in which it operates.
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business.
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.
- there is no assurance that the Company will obtain and retain any relevant licenses.
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition.
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.
- the Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.
- the cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks.
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators.
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results.
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the United States and is new to Canada.
- under California, Washington and Canadian regulations, a licensed producer of cannabis may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance.
- the Company could be liable or face regulatory action for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws.
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.
- in certain circumstances, the Company's reputation could be damaged.
- some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local law, may be deemed to be illegal under federal law.
- there is uncertainty of existing protection from United States federal prosecution.
- there is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole.
- the Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.
- the Company may not be able to obtain all necessary licenses and permits or complete construction of its facilities timely, which could, among other things, delay or prevent the Company from becoming profitable.
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.
- uncertain impact of MAUCRSA (as defined below) on license to engage in commercial cannabis activity.
- no assurance of success or profitability under the new legal and regulatory structures.
- there are fees associated with acquiring and renewing licenses, however, the specific amount of such fees has yet to be determined and may vary based on several factors.
- the Company may incur significant tax liabilities if Section 280E of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") continues to provide that certain expenses of cannabis businesses may not be deducted for United States federal income tax purposes.
- local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any jurisdiction.
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.
- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.
- any re-classification of cannabis or changes in United States controlled substance laws and regulations may affect the Company's business.
- cannabidiol ("**CBD**") may be classified as Schedule I controlled substance. The Drug Enforcement Agency ("**DEA**") recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".
- regardless of the status of CBD with respect to the CSA, CBD may be subject to regulation or prohibition by state or local authorities.
- United States federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.
- the Company's contracts may not be legally enforceable in the United States.
- the Company may not have access to the protections of the United States bankruptcy system should the need arise to liquidate or restructure cannabis assets.
- employees of the Company may face increased scrutiny and adverse action from United States immigration authorities due to their involvement with the cannabis industry.
- the Company cannot assure you that a market will continue to develop or exist for the Common Shares or what the market price of the Common Shares will be.
- the Company will be subject to additional regulatory burden resulting from its public listing on the CSE.
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control.
- the Company is subject to uncertainty regarding Canadian legal and regulatory status and changes.
- the Company does not anticipate paying cash dividends.
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares.
- no guarantee on the use of available funds by the Company.

- United States federal or state franchise laws may apply to the Company's United States operations, which would impose additional requirements on the Company and the Company may be required to modify its operations.
- there can be no assurance that organic products will command a higher price in the marketplace, the result of which could adversely affect the Company's ability to become profitable.
- failure to meet or maintain the organic certification standards may have an adverse effect on the market price of the Company's products.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this prospectus is provided as of the date of this prospectus, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from our internal research, and include assumptions made by us which we believe to be reasonable based on our knowledge of our industry and markets. Our internal research and assumptions have not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Forward-Looking Statements*" and "*Risk Factors*".

TRADEMARKS AND TRADE NAMES

This prospectus includes trademarks and trade names, such as "Rubicon", "1964 Supply Co." and "Doctor & Crook Co." which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, our trade-marks and trade names referred to in this prospectus may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, and trade names.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Certain capitalized terms and phrases used in this prospectus are defined in the "Glossary of Terms" beginning on page 81.

The Company: Rubicon is a North American cannabis company with operations in Canada, California, and Washington. Rubicon's business plan to generate revenue is to obtain licenses to grow and sell organic cannabis in Canada and to lease facilities and license its brands to licensed cannabis companies in Washington and California. The Company is also planning to seek licenses in other jurisdictions in North America.

See "*Overview of the Company*" on page 13 of this prospectus.

Securities Outstanding: As at September 24, 2018, the following securities were outstanding:

Common Shares	33,152,605
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Options	5,313,500
Special Warrants	3,658,820
Warrants	208,611
Broker Warrants	183,431
Restricted Share Units	50,000
Warrants (underlying Special Warrants)	1,829,410
Total (Fully Diluted)	44,396,377⁽¹⁾

Notes:

(1) Including 3,658,820 Common Shares issuable upon exercise of the outstanding Special Warrants.

See “*Outstanding Securities Data*” on page 35 of this prospectus.

Our Business:

The Company, through its subsidiary Vintages Organic Cannabis Company Inc. (“**Vintages**”), is a late-stage applicant under Health Canada’s Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”). The license application is on the Company’s wholly-owned 20-acre property in Delta, British Columbia, with an existing 125,000 square-foot greenhouse (the “**Delta Facility**”). The greenhouse facility is currently being retrofitted for cannabis cultivation and upon completion, management anticipates the facility will be capable of producing approximately 11,000 kilograms (“**kg**”) per year of dried cannabis in the first phase of planned production (“**Phase I**”). The Company’s planned Phase II and Phase III expansion (as defined below) would, if successfully implemented, increase the facility’s cannabis production capacity to a total of 67,000 kg per year. The Company intends to complete an organic certification process with the Fraser Valley Organic Producers Association (“**FVOPA**”) and, if successful, expects to be one of only a few licensed producers of cannabis under ACMPR (each, an “**LP**”) in Canada to provide certified organic cannabis. The Company anticipates to complete the Delta Facility retrofit and to obtain organic certification and commercial production approval for sale in the first half of 2019.

In the United States, Rubicon and its affiliates lease or sublease turnkey cannabis production facilities to licensed cannabis producers and license brands to one or more state-licensed producers and processor licensees in California and Washington. The Company does not directly hold cannabis licenses or otherwise produce, process or sell cannabis product in the United States.

In California, the Company licenses its lifestyle brand, 1964 Supply Co.TM to CMX Distribution Inc. (“**CMX**”), a California corporation and holder of a temporary state distribution license issued by the Bureau of Cannabis Control in California which sells cannabis products under the brand name. The Company is focused on rapidly growing its brand presence in California with marketing efforts.

In Washington, the Company licenses its Doctor & Crook Co.TM brand through the sale of branded packaging, subleases a cannabis extraction facility, and is in the process of leasing a turnkey cultivation facility to a state-licensed tenant. The cultivation facility is a wholly-owned 40,000 square-foot, high-tech, venlo-style greenhouse in the coastal micro-climate near Ferndale, Washington.

See “*Overview of the Company*” on page 13 of this prospectus.

History:

On May 15, 2015, Rubicon was formed for the purpose of investing in the business that is currently operated by RHI.

In May 2018, Rubicon and RHI completed an internal re-organization (the “**Re-organization**”) pursuant to which, among other things, Rubicon, previously the holder of approximately 14% of the issued and outstanding common shares of RHI, acquired the remaining issued and outstanding common shares of RHI from RHI shareholders in exchange for common shares of Rubicon on a 1:1 basis. As part of the Re-organization, previous RHI option holders exchanged their options to acquire common shares of RHI for options to acquire common shares of Rubicon on a 1:1 basis and on substantially similar terms to their original RHI options. Following the Re-organization, Rubicon’s business became primarily the former business of RHI.

On May 22, 2018, Rubicon changed its name from “West Coast Land Corporation” to “Rubicon Organics Inc.” and replaced its articles in their entirety, the effect of which included adding advance notice provisions for the election of directors.

On July 5, 2018, Rubicon announced the closing of the Offering of Special Warrants for aggregate gross proceeds of C\$11,816,168. Concurrent with the Offering, Rubicon completed the Concurrent Private Placement (as defined below) of 417,222 units of the Company for gross proceeds of C\$1,355,972. On August 15, 2018, the Company renamed its Class A Common Shares as Common Shares, converted its Class B Common Shares into Common Shares, and eliminated its Class B Common Shares from its capital structure.

See “*History of the Company*” on page 14 of this prospectus.

Listing:

There is currently no market through which any of the Special Warrants, Warrants, Broker Warrants, Compensation Warrants, Common Shares or Warrant Shares may be sold. The CSE has conditionally approved the listing of the Common Shares. Listing is subject to the Company’s fulfilling all of the requirements of the CSE.

Use of Proceeds:

The gross proceeds payable to the Company from the sale of the Special Warrants pursuant to the Offering was C\$11,816,168. The estimated net proceeds received by the Company from the Offering (after deducting the Agents’ Fee of C\$531,156, the cash portion of the corporate finance fee of C\$140,000 and taxes thereon to be paid to Canaccord Genuity Corp. in connection with the Offering and the estimated costs to complete the Offering of C\$450,000) were approximately C\$10,695,012. The Company has not, and will not receive any additional proceeds from the Offering upon the exercise or deemed exercise of the Special Warrants. Concurrently with the Offering, the Company completed a non-brokered private placement of units of the Company (the “**Units**”), each Unit comprised of one Common Share and one-half of one Warrant (the “**Concurrent Private Placement**”) for gross proceeds of C\$1,355,972. Total net proceeds from the Offering and the Concurrent Private Placement were C\$12,050,984.

The Company intends to use the net proceeds of the Offering and the Concurrent Private Placement as follows:

Item	Approximate Amount
Professional Fees ⁽¹⁾	C\$550,000
Repayment of Related Party Loans	C\$1,086,000
Delta Facility Development	C\$8,000,000
General and Administrative Expenses	C\$1,774,000

Working Capital

C\$640,984

Total

C\$12,050,984

Notes:

(1) Legal and accounting fees substantially related to the internal Re-organization and financial statement audit and review.

For a more detailed discussion on the Company's available funds, see "*Use of Proceeds*" on page 32 of this prospectus and "*Management's Discussion and Analysis*" on page F-89 of this prospectus.

Directors:

The Board of Directors of the Company (the "**Board**") is comprised of Jesse McConnell, Margaret Brodie, Eric Savics, David Donnan, Bryan Disher and John Pigott.

See "*Directors and Executive Officers*" on page 41 of this prospectus.

Executive Officers:

Jesse McConnell, Chief Executive Officer and director
Margaret Brodie, Chief Financial Officer and director
Peter Doig, Chief Science Officer

See "*Directors and Executive Officers*" on page 41 of this prospectus.

Risk Factors

An investment in the Common Shares involves a high degree of risk. See "*Risk Factors*". You should carefully consider the information in the prospectus the information set out under "*Risk Factors*" beginning on page 57 of this prospectus.

SUMMARY FINANCIAL INFORMATION

The following table sets out selected financial information for the periods or as at the dates indicated. The selected financial information of the Company for the three and six month periods ended June 30, 2018 and 2017, and the financial years ended December 31, 2017 has been derived from the ROI Audited Financial Statements and the ROI Interim Financial Statements. The ROI Audited Financial Statements have been audited by Deloitte LLP ("**Deloitte**"). Deloitte's report on the ROI Audited Financial Statements is also included elsewhere in this prospectus. The ROI Interim Financial Statements presented as at June 30, 2018 and for the three and six month periods ended June 30, 2018 and 2017 has been prepared on a basis consistent with our RHI Audited Financial Statements. In the opinion of management, such unaudited financial information reflects all adjustments considered necessary for a fair presentation of the results for those periods. The summary financial information should be read in conjunction with our Management's Discussion & Analysis, ROI Audited Financial Statements and the ROI Interim Financial Statements and the related notes.

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	Year Ended December 31, 2017
Statement of Operations Highlights	US\$	US\$	US\$
Sales	931,344	287,550	681,711
Gross profit (loss)	113,284	7,624	(231,571)
Expenses	3,714,415	2,157,929	4,090,733
Loss from operations	(3,601,131)	(2,150,305)	(4,322,304)
Reverse takeover costs	12,114,075	—	—
Other Expenses	756,555	11,773	93,145
Loss before income tax	(16,471,761)	(2,162,078)	(4,415,449)

	As at June 30, 2018	As at Dec. 31, 2017
	<i>US\$</i>	<i>US\$</i>
Balance Sheet Highlights (at period end)		
Current assets	3,957,048	2,618,289
Total assets	21,835,250	17,471,875
Current liabilities	4,136,265	1,777,725
Total liabilities	6,330,754	4,169,116
Shareholder's equity	15,504,496	13,302,759

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 15, 2015. On May 22, 2018, the Company changed its name from West Coast Land Corporation to Rubicon Organics Inc. and replaced its articles in their entirety, the effect of which included adding advanced notice provisions for the election of directors. On August 15, 2018, the Company renamed its Class A Common Shares as Common Shares, converted its Class B Common Shares into Common Shares, and eliminated its Class B Common Shares from its capital structure.

The Company's registered and records office is located at 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, British Columbia V7X 1T2. The Company's head office is located at #505-744 West Hastings Street, Vancouver, BC V6C 1A5.

Intercorporate Relationships

The Company's subsidiaries are as follows:

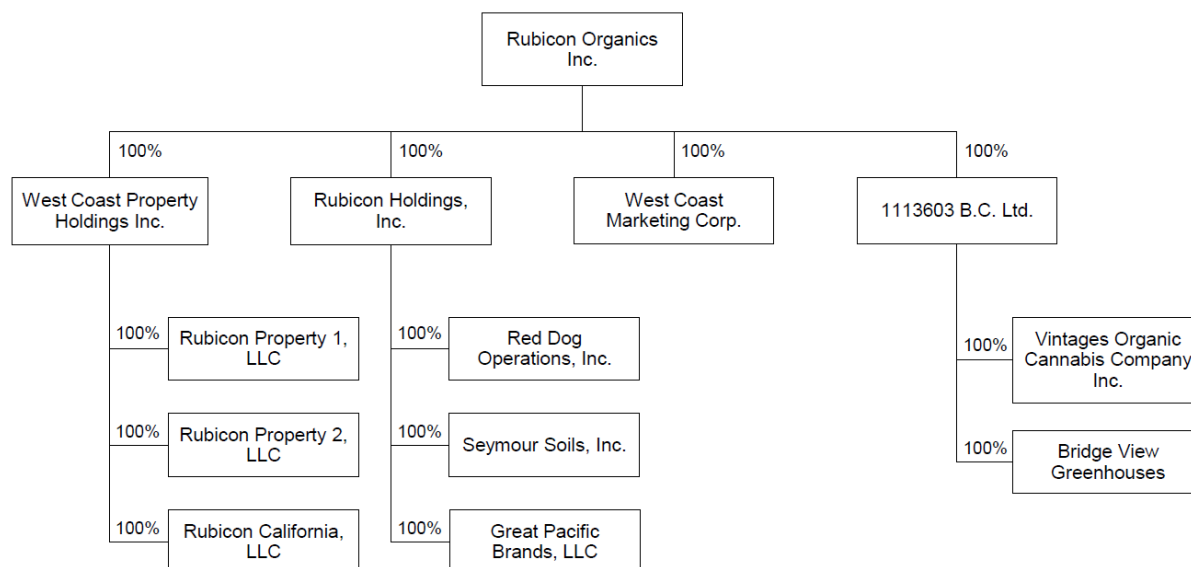
Name	Place of Incorporation	Ownership Percentage
1113603 B.C. Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd. (" Bridge View ")	BC, Canada	100%
Vintages Organic Cannabis Company Inc.	BC, Canada	100%
West Coast Marketing Corporation	BC, Canada	100%
West Coast Property Holdings Inc.	WA, United States	100%
Rubicon Property 1, LLC (" RP1 ")	WA, United States	100%
Rubicon Property 2, LLC (" RP2 ")	WA, United States	100%
Rubicon California, LLC	CA, United States	100%
Rubicon Holdings, Inc.	WA, United States	100%
Great Pacific Brands, LLC (" GPB ")	WA, United States	100%
Red Dog Operations, Inc. (" Red Dog ")	WA, United States	100%
Seymour Soils, Inc. (" Seymour Soil ")	WA, United States	100%

The Company also has arrangements with the following entities:

- Vega Ventures LLC ("**Vega**"), a third party Washington licensed cannabis company. The Company's arrangement includes an option agreement whereby RHI has the right to designate, subject to Washington State Liquor and Cannabis Board ("**WSLCB**") approval, another owner of the entity. On this basis, Vega is consolidated into the RHI Audited Financial Statements and the ROI Interim Financial Statements in accordance with IFRS 10.
- Kool Gildea Inc. ("**KG Inc.**"), a California non-profit mutual benefit corporation granting the Company the power to direct certain activities of KG Inc., in particular the appointment and removal of governing

members. On this basis, KG Inc. is consolidated into the RHI Audited Financial Statements and the ROI Interim Financial Statements in accordance with IFRS 10

The Company's corporate structure is follows:



OUR BUSINESS

Overview of the Company

Rubicon is a North American cannabis company with operations in Canada, California, and Washington.

The Company, through its subsidiary Vintages, is a late-stage applicant under Health Canada's ACMPR. The license application is on the Company's Delta Facility, a wholly-owned 20-acre property in Delta, British Columbia, with an existing 125,000 square-foot greenhouse. The greenhouse facility is currently being retrofitted for cannabis cultivation and upon completion, management anticipates the facility will be capable of producing approximately 11,000 kg per year of dried cannabis in Phase I of planned production. The Company's planned Phase II and Phase III expansion (as defined below) would, if successfully implemented, increase the facility's cannabis production capacity to a total of 67,000 kg per year. The Company intends to complete an organic certification process with the FVOPA and, if successful, expects to be one of only a few LPs in Canada to provide certified organic cannabis. The Company anticipates to complete the Delta Facility retrofit and to obtain organic certification and commercial production approval for sale in the first half of 2019.

In the United States, Rubicon and its affiliates lease or sublease turnkey cannabis production facilities to licensed cannabis producers and license brands to one or more state-licensed producers and processor licensees in California and Washington. The Company does not currently hold cannabis licenses or otherwise produce, process or sell cannabis product in the United States. Management of the Company believes that Rubicon's ancillary involvement in the cannabis sector in the United States is in compliance with applicable licensing requirements and the regulatory frameworks enacted by the State of California and the State of Washington.

In California, effective August 14, 2018, the Company licenses its lifestyle brand, 1964 Supply Co.TM to CMX, a California corporation and holder of a temporary state distribution license issued by the Bureau of Cannabis Control in California which sells cannabis products under the brand name. Up to and including August 14, 2018, the Company licensed its 1964 Supply Co.TM brand to KG Inc., a California non-profit mutual benefit corporation and holder of a temporary state distribution license issued by the Bureau of Cannabis Control in California which expired August 15, 2018. The Company is focused on rapidly growing its brand presence in California with marketing efforts.

In Washington, the Company licenses its Doctor & Crook Co.TM brand through the sale of branded packaging, subleases a cannabis extraction facility, and is in the process of leasing a turnkey cultivation facility to a state-licensed

tenant. The cultivation facility is a wholly-owned 40,000 square-foot, high-tech, venlo-style greenhouse in the coastal micro-climate near Ferndale, Washington.

Employees

As at September 24, 2018, the Company had a total of 25 full time employees and no part-time employees.

History of the Company

On May 15, 2015, Rubicon was formed for the purpose of investing in the business that is currently operated by RHI.

In December 2015, RHI completed a US\$7.7 million non-brokered private placement to fund its operations (the “**Initial Financing**”). Subscribers to the Initial Financing acquired one unit of RHI at an issue price of US\$1.00 per unit, each comprised of one common share, one common share purchase warrant exercisable to acquire one common share of RHI at a price of US\$1.50 per share until December 31, 2016 and one Super Subscription Right (“**SSR**”) which entitled the holder to a 20% discount on the next financing greater than US\$1 million.

In October 2015, RHI utilized a portion of the funds raised pursuant to the Initial Financing to commence construction of a greenhouse facility in Ferndale, Washington, which greenhouse was fully commissioned in the fourth quarter of 2017. In 2015, RHI also leased a warehouse site in Bellingham, Washington and constructed a cannabis oil extraction facility which was subsequently sub-leased to Vega, a third-party state-licensed processor. Vega also licensed the Company's Doctor & Crook Co.TM brand through the sale of branded packaging.

In 2016, RHI entered an option agreement with Vega whereby RHI has the right to force the sale of all of the issued and outstanding shares of Vega to a purchaser selected by RHI, subject to WSLCB. As of the date of this prospectus, RHI has not exercised this option.

In July 2016, in contemplation of expanding its operations into the State of California, RHI purchased a three-acre plot of land in the City of Greenfield, Monterey County, California. In the second half of 2016, together with KG Inc., RHI submitted an application to the City of Greenfield for a municipal permit for cultivation, extraction and distribution of cannabis on the site.

In September 2016, RHI completed a US\$1.5 million non-brokered private placement on the same terms as the Initial Financing.

In December 2016, RHI's shareholders, including the Company, exercised warrants issued pursuant to the Initial Financing and the September 2016 financing to acquire an aggregate of 3,023,166 common shares of RHI for gross proceeds to RHI of US\$4.5 million. The Company's shareholders also held warrants of the Company on the same terms as the warrants issued by RHI pursuant to the Initial Financing. The Company's shareholders exercised 1,023,166 warrants of the Company for US\$1.5 million. The Company then immediately exercised 1,023,166 warrants of RHI for US\$1.5 million. This exercise formed part of the aggregate warrant exercise in RHI.

In March 2017, RHI and KG Inc. obtained the City of Greenfield municipal permits for the cultivation, extraction and distribution of cannabis.

In June 2017, RHI continued expanding its operations in the State of California with the launch of its 1964 Supply Co.TM brand. RHI also entered a brand licensing agreement with KG Inc.

In June 2017, RHI acquired Vintages for US\$1.5 million (payable by the issuance of an aggregate of 999,999 common shares of RHI and a nominal cash fee). Vintages held a late-stage ACMPR license application associated with a site in Kelowna, BC. Shortly following RHI's acquisition of Vintages, Health Canada provided Vintages with notice that the Kelowna site subject to Vintages' original ACMPR license application had received a confirmation of readiness.

In September 2017, RHI acquired Bridge View, whose primary asset was the Delta Facility. The purchase price was C\$4.0 million, paid in cash. RHI also entered into a mortgage agreement for C\$3.0 million in connection with the acquisition of Bridge View. Immediately after completion of the Bridge View acquisition, Vintages re-submitted its ACMPR license application to Health Canada to move the proposed cannabis production site to the Delta Facility. In November 2017, the Company commenced the retrofit of the Delta Facility for the purposes of cannabis cultivation and necessary security measures under the ACMPR regulations.

In the second half of 2017 with final close in January 2018, RHI completed a US\$9.3 million non-brokered private placement of 4,862,372 common shares at a price per common share of US\$2.00. Certain early shareholders of RHI who had participated in the Initial Financing exercised their SSRs, and participated in the placement of a 20% discount to the US\$2.00 per share offering price. On February 13, 2018, 62,500 common shares of RHI were issued pursuant to the SSR price of US\$1.60 per common share, to shareholders of the Company pursuant to an investor rights agreement.

In January 2018, Health Canada provided Vintages with a Confirmation of Readiness in respect of the ACMPR license application for the Delta Facility.

In January 2018, RHI entered into an agreement to obtain the right to control KG Inc. through its power to appoint and remove governing members of the entity. In consideration for control of this entity, RHI issued 300,000 common shares of RHI at a price of US\$2.00 per common share and paid US\$20,000 cash to the governing members. In 2018, KG Inc. obtained a temporary state distribution license issued by the Bureau of Cannabis Control in California and entered arrangements with state licensed distribution companies for distribution of the 1964 Supply Co.™ brand.

In May 2018, Rubicon and RHI completed the Re-organization pursuant to which, among other things, Rubicon, previously the holder of approximately 14% of the issued and outstanding common shares of RHI, acquired the remaining issued and outstanding common shares of RHI from RHI shareholders in exchange for common shares of Rubicon on a 1:1 basis. As part of the Re-organization, previous RHI option holders exchanged their options to acquire common shares of RHI for options to acquire common shares of Rubicon on a 1:1 basis and on substantially similar terms to their original RHI options. Following the Re-organization, Rubicon's business became primarily the former business of RHI.

On May 22, 2018, Rubicon changed its name from "West Coast Land Corporation" to "Rubicon Organics Inc." and replaced its articles in their entirety, the effect of which included adding advance notice provisions for the election of directors.

On July 5, 2018, Rubicon announced the closing of the Offering of Special Warrants for aggregate gross proceeds of C\$11,816,168. Concurrent with the Offering, Rubicon completed the Concurrent Private Placement of 417,222 Units of the Company for gross proceeds of C\$1,355,972. On August 15, 2018, the Company renamed its Class A Common Shares as Common Shares, converted its Class B Common Shares into Common Shares, and eliminated its Class B Common Shares from its capital structure.

On August 15, 2018, the temporary state license of KG Inc. expired. On August 14, 2018, the Company signed a packaging licensing agreement with CMX, a company licensed under California cannabis laws, to take on the sale of 1964 Supply Co.™ branded product in California, on the terms substantially similar to its former agreement with KG Inc.

Canadian Regulatory Overview

On August 24, 2016, the ACMPR came into force, allowing Canadians who have been authorized to use cannabis by their health care practitioner access to cannabis for medical purposes. The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the "MMPR"), which was implemented in June 2013. The MMPR replaced the *Marihuana Medical Access Regulations* (the "MMAR") which was implemented in 2001. MMPR and MMAR were initial steps in the Government of Canada's legislative path towards legalizing and regulating medical cannabis.

The ACMPR regulates the production and distribution of medical cannabis. Under the ACMPR, Canadians who are authorized by their health care practitioner to use medical cannabis have the option of purchasing cannabis from one of the producers licensed by Health Canada and are also able to produce a limited amount of cannabis for their own medical purposes or designate someone to produce it for them.

On April 13, 2017, the Government of Canada introduced Bill C-45 (the "**Cannabis Act**") to amend the *Controlled Drugs and Substances Act* ("CDSA") (which governs the ACMPR), the *Criminal Code* (Canada) and other related legislation to legalize and regulate the use of cannabis for recreational purposes. The Cannabis Act received its first reading in the House of Commons on April 13, 2017, followed by a second reading on June 8, 2017 and was passed by the House of Commons on the third reading on November 27, 2017. The Cannabis Act received its first reading by the Senate on November 28, 2017 and its second reading on November 30, 2017.

On June 18, 2018, the Cannabis Act passed the Senate vote and subsequently received Royal Assent on June 21, 2018. The Government of Canada has announced that the Cannabis Act, and related ancillary amendments to other legislation, are intended to come into effect October 17, 2018.

Pursuant to the Cannabis Act, individuals over the age of 18 will be able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and will be able to legally possess up to 30 grams of dried cannabis, or the equivalent amount in fresh cannabis or cannabis oil. The Cannabis Act also permits households to grow a maximum of four cannabis plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations (the “**Cannabis Regulations**”), the new Industrial Hemp Regulations (the “**IHR**”, and together with the Cannabis Regulations, collectively, the “**Regulations**”), along with proposed amendments to the Narcotic Control Regulations and certain regulations under the *Food and Drugs Act*. The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products that will be available for legal sale as of October 17, 2018. Currently, medical cannabis is largely regulated by the ACMPR. The ACMPR and the current Industrial Hemp Regulations will no longer be in force on October 17, 2018 and will be supplanted by the Cannabis Act and the Regulations. Once the Cannabis Act comes into force, cannabis will no longer be regulated under the CDSA and will be regulated under the Cannabis Act.

Licenses, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;
- Analytical testing licenses;
- Sales for medical purposes licenses
- Research licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Producers holding production and sales licenses under the ACMPR will be transferred to similar licenses under the Cannabis Act.

Licenses issued pursuant to the Cannabis Regulations will be valid for a period of no more than five years. The Cannabis Regulations will permit cultivation license holders to conduct both outdoor and indoor cultivation of cannabis, however no licensed activities (except for destruction, antimicrobial treatment and distribution) can take place in a “dwelling-house”.

The new IHR will replace the Industrial Hemp Regulations currently in force on October 17, 2018. The IHR define industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% THC. The regulatory scheme for industrial hemp will largely remain the same, however the IHR will permit the sale of hemp plants to licensed cannabis producers, and licensing requirements will be softened in accordance with the low risk posed by industrial hemp.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (the “**Minister**”), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is largely the approach in place today under

the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The Cannabis Regulations set out a national cannabis tracking system to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illegal market. The Cannabis Act also provides the Minister with the authority to make a ministerial order requiring certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis seeds, including in such forms as “pre-rolled” and in capsules. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edibles containing cannabis and cannabis concentrates will not initially be permitted, however the federal government anticipates that such products will be legalized within one year following the coming into force of the Cannabis Act.

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Cannabis package labels must include specific information, such as:

- product source information, including the class of cannabis and the name, phone number and email of the cultivator;
- a mandatory health warning, rotating between Health Canada’s list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

A cannabis product’s brand name may only be displayed once on the principal display panel, or if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

All-over packaging wraps must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged cannot have any embossing, texture, foil, or cut outs. Additionally, packages must be child-resistant and tamper-proof.

Cannabis for Medical Purposes

The ACMPR will be repealed when the Cannabis Act and the Regulations come into force on the legalization date. Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which will remain substantively the same as currently exists under the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider will continue to have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

Provincial Regulatory Regimes

Provincial and territorial governments in Canada have made varying announcements on the proposed regulatory regimes for the distribution and sale of cannabis for recreational or “adult-use” purposes. For example, Ontario, Québec, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have adopted a government-regulation model for distribution, whereas Saskatchewan and Newfoundland & Labrador have opted

for a private sector approach. Alberta and British Columbia have announced plans to pursue a hybrid approach of public and private sale and distribution.

In connection with the new framework for regulating cannabis in Canada, the Government of Canada has introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

Canadian Banking and Financial Services

As the cannabis industry expands in Canada, management of the Company expects cannabis-related businesses to increasingly seek banking and financial services from Canadian financial institutions. However, banks and financial institutions may consider cannabis-related businesses to be high-risk clients under the Canadian anti-money laundering regime. Accordingly, opening and maintaining accounts for cannabis-related businesses will require substantial resources and diligence on the part of financial institutions, especially in light of the obligation imposed on financial institutions under anti-money laundering legislation to engage in ongoing monitoring of clients and their activities. See “*Risk Factors*”.

Rubicon’s Application Status Under the Health Canada ACMPR Program

According to Health Canada, effective May 25, 2017, there is a six-step licensing process under the ACMPR:

1. Intake and Initial Screening

When an ACMPR program application is received, it undergoes an assessment by Health Canada for completeness (the “**Initial Screening**”) and if complete, it is assigned an application number.

The Initial Screening includes an assessment of:

- (a) the proposed business plan;
- (b) the Security Clearance Application Form; and
- (c) record-keeping methods pertaining to security, “good production practices” (“**GPP**”), inventory and destruction methods.

Vintages applied to Health Canada for a license to grow medical cannabis under the MMPR on April 30, 2014. The application was originally for a leased property in Kelowna, BC, and on September 14, 2017, Vintages re-submitted the application for the Delta Facility.

2. Detailed Review Process

All information submitted to Health Canada, and any other relevant information, is reviewed by Health Canada to:

- (a) complete the assessment of the application to ensure that it meets the requirements of the regulations;
- (b) establish that the issuance of the license is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and
- (c) establish that there are no other grounds for refusing the application.

Health Canada thoroughly reviews the application to ensure the level of detail included in the application is sufficient to assess the requirements of the ACMPR and validate the information provided. Consideration is also given by Health Canada to the proposed security measures including those required by Subdivision C of the ACMPR and the description of the storage area for cannabis as required by the Security Directive; the credentials of the proposed quality assurance person to meet the good production requirements outlined in Subdivision D of the ACMPR; and the

details listed in the quality assurance report relating to premises, equipment and the sanitation program. Physical security plans are reviewed and assessed in detail at this stage.

When applying for a license to produce cannabis under the ACMPR (an “**ACMPR License**”), a security clearance application form must be submitted for the following individuals: (a) the proposed senior person in charge; (b) the proposed responsible person in charge; (c) the proposed alternate responsible person(s) in charge (if applicable); (d) if a producer’s license is issued to an individual, that individual; and (e) if a producer’s license is issued to a corporation, each officer and director of the corporation.

On January 17, 2018, Vintages received the Confirmation of Readiness from Health Canada in respect of the Delta Facility which represents the completion of the Detailed Review stage.

3. Issuance of License to Produce

Upon confirmation from the applicant that a cannabis production facility has been fully built and security measures are in place, a pre-license inspection of the facility (the “**Pre-License Inspection**”) will be scheduled between Health Canada and the applicant. If any deficiencies are identified during the Pre-License Inspection, they will be communicated to the applicant and must be addressed prior to an ACMPR License being issued. Once it has been confirmed through the Pre-License Inspection that the applicant meets all the requirements of the ACMPR, an ACMPR License will be issued.

The video evidence package for the Delta Facility was submitted to Health Canada on August 15, 2018. Once Health Canada has completed its review of the video evidence package, a Pre-License Inspection is to be scheduled. No assurance can be provided that the Company will be granted the ACMPR License pursuant to its application or that once obtained, it will retain such license from Health Canada. See “*Risk Factors*”.

The ACMPR License allows the licensee to possess, produce, provide, ship, deliver, transport and destroy fresh cannabis, dried cannabis, cannabis plants and cannabis seeds, provided that:

- (a) all security measures are adhered to and can be demonstrated during targeted inspections by Health Canada; and
- (b) the Company adheres to all aspects of GPP related to cultivation, which requires that:
 - i. all substances are produced and stored using methods and procedures that ensure the sanitary condition of the premises and equipment utilized throughout production;
 - ii. cannabis products are not treated with pest control products unless registered under the applicable pest control products legislation for use on cannabis; and
 - iii. all facility standard operating procedures and associated documentation requirements are adhered to.

4. Introductory Inspection (as cultivation begins)

An LP is required to notify Health Canada at the time that cultivation of cannabis begins. Once notified, Health Canada will schedule an initial inspection to verify that the LP is meeting the requirements of the ACMPR licensing program including, but not limited to, the physical security requirements for the site, record-keeping practices and GPP, and to confirm that the activities being conducted by the LP are in compliance with those authorized by the ACMPR License.

5. Pre-Sales Inspection

Vintages would only be permitted to conduct sales activities if it files an amendment application with the Office of Medical Cannabis to add the activity of “sale” to its existing ACMPR License. Health Canada will then schedule an inspection to verify that the Company is in compliance with the requirements of the ACMPR including, but not limited to, GPP, packaging, labelling, shipping and record keeping prior to allowing the sale or provision of product. If any deficiencies are identified, they will be communicated to the applicant and must be addressed prior to the issuance of the ACMPR License to sell.

6. *Issuance of License to Sell*

In order to complete Health Canada's inspection of the ACMPR requirements and establish that adding the activity of sale of cannabis products is not likely to create a risk to public health, safety or security, and to confirm that there are no other grounds for refusing the amendment application, Health Canada reviews the following information: (a) results of the pre-sale inspection; (b) information submitted in the amendment application to add the activity of sale to the license; and (c) any other relevant information.

When the review is completed with no outstanding deficiencies, an amended ACMPR License, including the activity of sale, will be issued (the "**License to Sell**"). Once the License to Sell is issued, the licensee may sell or provide dried or fresh cannabis to:

- (a) another LP;
- (b) a licensed dealer of cannabis under ACMPR;
- (c) the Minister of Health Canada; or
- (d) a person to whom an exemption relating to the substance has been granted under section 56 of the CDSA (a "**Section 56 Exempt Person**").

In order to distribute cannabis to a Section 56 Exempt Person, an LP must comply with the conditions of their License to Sell, which requires that an LP must:

- (a) only sell or provide cannabis in secure, child resistant packaging;
- (b) include the health warning messages;
- (c) ensure that the label specifies the amount of THC and CBD;
- (d) ensure that the quantity of the fresh cannabis buds or leaves is also labeled, in terms of equivalency to one gram of dried cannabis. Information on the conversion method must be published on the LP's website;
- (e) continue to comply with the record-keeping requirements for all transactions involving non-dried cannabis, including sales and destruction records; and
- (f) notify Health Canada of any adverse reactions related to fresh cannabis buds and leaves of which they become aware.

Reporting Requirements under the ACMPR

As described under the ACMPR, LPs are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), all fresh or dried marijuana or cannabis oils returned from clients, and an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, cannabis oil, marijuana plants destined to be sold or provided). All records have to be kept for a period of at least two years, in a format that will be easily auditable, and must be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two year requirement.

An LP must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the LP becoming aware of the reaction. An LP must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions that have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the LP for a period of 25 years after the day on which they were produced).

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information LP must provide to Health Canada on a monthly basis. LPs must provide the

following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, LPs must report the amounts produced, as well as the amounts received from another LP as follows:
 - total amount produced in the reporting period;
 - amount released for sale in the reporting period;
 - amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and
 - amount received from other Licensed Producers during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, LPs must report the total amount sold or transferred to the following during the reporting period:
 - registered clients;
 - other LPs; and
 - licensed dealers;
- Number of clients registered;
- Number of clients registered by province or territory of residence;
- Number of refused registrations and refusals to fill order;
- With respect to fresh and dried marijuana and cannabis oil, LPs must report as of the final day of the reporting period the amounts held in inventory as follows:
 - total amount held in inventory;
 - amount intended for sale but not yet approved held in inventory;
 - amount approved for sale held in inventory;
 - amount of samples in inventory; and
 - amount of fresh and dried marijuana intended for extraction activities held in inventory;
- With respect to cannabis seeds and marijuana plants, LPs must report:
 - the total number of plants held in inventory;
 - the number of plants destined to be sold as starting material held in inventory;
 - the total weight of seeds held in inventory; and
 - the number and weight of seeds destined to be sold as starting material held in inventory;
- LPs must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;
- Total amount of cannabis imported during the reporting period;
- Total amount of cannabis exported during the reporting period;
- Total amount of cannabis lost or stolen during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, LPs must report the total amount:
 - that was destroyed during the reporting period; and
 - of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;
- With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, LPs must report the total amount returned from clients during the reporting period;
- LPs must report the total number of shipments sent to the following during the reporting period:
 - registered clients;
 - registered clients for interim supply;
 - other LPs; and
 - licensed dealers;
- LPs must report the total number of shipments sent to the following in each province and territory:
 - registered clients;
 - registered clients for interim supply;
 - other LPs; and
 - licensed dealers;
- Average daily amount of marijuana for medical purposes authorized;
- Median daily amount of marijuana for medical purposes authorized;
- Average shipment size sent to registered clients during the reporting period;
- Median shipment size sent to registered clients during the reporting period;
- List of ten highest unique daily authorized amounts and the frequency with which they occur;
- List of daily authorized amounts in specified increments:
 - 0 to 1 grams;

- 1.1 to 2 grams;
- 2.1 to 3 grams;
- 3.1 to 4 grams;
- 4.1 to 5 grams;
- 5 to 10 grams;
- 10 to 15 grams; and
- >15 grams,
- Total number of shipments to registered clients per each 10 gram interval between 0 and 150 grams;
- List of all health care practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- List of all nurse practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;
- Cannabis with which they are conducting R&D activities; and
- Activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

Delta, British Columbia Facility

Rubicon's proposed Canadian production facility is at the Delta Facility and is held through Bridge View, a wholly-owned subsidiary of the Company. The Company is retrofitting the Delta Facility with state-of-the art lighting, HVAC and security systems designed specifically for cannabis cultivation. Once complete, management of the Company expects the Delta Facility to utilize over 3,300 grow-lights and have an annual cultivation capacity of 11,000 kg of dried cannabis in its existing footprint.

The Delta Facility has approximately 100,000 square feet of dedicated cultivation space organized into 26 bays and approximately 25,000 square feet of support and auxiliary services space which include areas for propagation, trimming, drying, commercial-scale oil extraction, shipping, storage and quality control facilities. The Company believes that its proven cultivation techniques, using proprietary know-how of key management members, will enable it to produce premium, medical-grade, certified organic cannabis at lower costs than other greenhouse operators.

The Company may expand the production capacity of the Delta Facility with the two-phased construction of two additional 220,000 square-foot (approximately five acres), high-tech greenhouses (the construction of each additional high tech greenhouse, "**Phase II**" and "**Phase III**", respectively). Phase II and Phase III would each provide an additional 185,000 square feet of dedicated cultivation space and would increase annual production capacity by approximately 28,000 kg of dried cannabis. Upon completion of Phase II and Phase III, management of the Company expects the Delta Facility would have total area of approximately 565,000 square feet, with total annual production capacity of approximately 67,000 kg of dried cannabis.

Management believes that Phase II and Phase III expansions could be completed within approximately 24 months of commencement of such expansions (which would be no earlier than receipt of the ACMPR License from Health Canada). The Company will assess the need for Phase II and Phase III expansion based on demand for the Company's cannabis products, available capital, municipal approvals, and depending on whether the Company receives an ACMPR License. While management believes that the production practices it will employ at the Delta Facility meet or exceed the requirements of Health Canada and the ACMPR, no assurance can be provided that the Company will be able to obtain necessary amendments to the ACMPR License, permitting the Phase II or Phase III expansion or that the completion of Phase I of the Delta Facility will be completed on time or on budget, or at all. See "*Risk Factors*".

The Farm Credit Canada ("**FCC**") has indicated that it will not carry over the C\$3.0 million mortgage once the Delta Facility begins cannabis cultivation. The Company is therefore seeking alternate mortgage financing from other large financial institutions in Canada. Although several financial institutions in Canada have extended loans to companies in the cannabis sector, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. See "*Risk Factors*".

Principal Products

When and if the applicable licenses are issued to Vintages by Health Canada, the Company intends to produce and sell, respectively, cannabis in Canada to registered patients, and possibly to other parties as permitted under the ACMPR License. In addition, to the extent permitted by applicable law, the Company intends to export its products outside Canada. Rubicon has entered into a non-binding letter of intent ("**German LOI**") with a German distributor to supply the German medical market with organic cannabis product. The transactions contemplated by the German

LOI are subject to a number of conditions, including the negotiation of a definitive agreement and achievement of cGMP-Euro specifications.

The Company also intends to complete the organic certification process with FVOPA, a leading organization in organic certification in Canada. FVOPA provides inspection and certification for sustainable development and maintains organic standards on products, systems and services. The certification process generally includes validation of inputs, production methods and preparation procedures in accordance with Canadian organic product regulation. Organic certification aims to guarantee the organic integrity of products throughout the entire production chain. Once certified, the Company expects to be one of only a few LPs in Canada to provide certified organic cannabis. Although management believes that it has all necessary elements, including the required technical expertise, to achieve the organic certification, no assurance can be provided that the Company will obtain and retain the organic certification from FVOPA. See “*Risk Factors*”.

New Product Development

Upon legalization by Health Canada of additional cannabis-related products, including cannabis edibles, cannabis oil and other consumables, and the receipt of all necessary regulatory approvals by the Company to produce such products, the Company intends to expand its product offerings by developing new products, which may include:

- (a) concentrates, including molecular isolations and separations for novel active pharmaceutical ingredients for formulations;
- (b) edibles, including beverages and nutraceuticals;
- (c) topicals, including transdermal patches and other novel delivery methods;
- (d) sublingual sprays, intensive skin repair, body oils;
- (e) CBD focused productions, including CBD cosmetics, CBD sports drinks, CBD whey powders, CBD vaporizer pens/oils and CBD topicals;
- (f) medical delivery formats: sublingual tablets, inhalers (liquid & powder), and sublingual wafers; and
- (g) pet health products.

There can be no assurances that the development of the new products listed above objectives will be completed at all or in a manner that may be profitable for the Company. See “*Risk Factors*”.

United States Regulatory Overview

In the United States, thirty states, Washington D.C. and Puerto Rico have legalized some form of medical cannabis, and nine states and Washington D.C. have legalized recreational cannabis, however not all states that permit recreational marijuana have or will have established marketplaces. Under United States federal law, however, cannabis currently remains a Schedule I controlled substance under the *Controlled Substances Act of 1970*. According to United States federal law, a Schedule I controlled substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices and activities, including without limitation, the manufacture, importation, possession, use, and distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the United States Federal Government’s approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the United States Department of Justice (the “**DOJ**”), issued a memorandum commonly known as the “2013 Cole Memo” to all United States Attorneys’ offices (federal prosecutors). The 2013 Cole Memo generally directed United States Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While merely prosecutorial guidance and not legally binding, the 2013 Cole Memo laid a framework for managing the tension between state and federal laws concerning state regulated cannabis businesses.

On January 4, 2018, the 2013 Cole Memo was rescinded by Attorney General Jeff Sessions. While this did not create a change in federal law, as the 2013 Cole Memo was not itself law, the revocation removed the DOJ's guidance to United States Attorneys that state-regulated cannabis industries substantively in compliance with the 2013 Cole Memo's guidelines should not be a prosecutorial priority.

In addition to his revocation of the 2013 Cole Memo, Attorney General Sessions also issued a one-page memorandum commonly known as the "Sessions Memorandum." The Sessions Memorandum confirmed the rescission of the 2013 Cole Memo and explained the rationale of the DOJ in doing so: the 2013 Cole Memo, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the United States Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the 2013 Cole Memo, are also based on the United States Federal Government's limited resources, and include "law enforcement priorities set by the Attorney General", the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution", and "the cumulative impact of particular crimes on the community".

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that cannabis activity is a serious crime", it does not otherwise indicate that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. Our external U.S. counsel, continuously monitor all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In Washington, Annette Hayes, U.S. Attorney for the Western District of Washington, released a statement affirming that her office will continue to investigate and prosecute "cases involving organized crime, violent and gun threats, and financial crimes related to marijuana" and that "enforcement efforts with our federal, state, local and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve." In California, at least one U.S. Attorney has made comments indicating a desire to enforce the *Controlled Substances Act*: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential "enforcement hawk" after stating that the rescission of the 2013 Cole Memo "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources".

It is too soon to determine what prosecutorial effects will be created by the rescission of the 2013 Cole Memo. While initial fears of a nationwide "crackdown" have not yet materialized, considerable uncertainty continues. Regardless, cannabis remains a Schedule I controlled substance under United States federal law and neither the 2013 Cole Memo nor its rescission has altered that fact. Despite state law sanctioned sale and distribution, cannabis remains equally illegal under United States federal law, today as it was prior to the Sessions Memorandum. It remains unclear whether the risk of enforcement has been altered.

Additionally, under United States federal law, it may potentially be a violation of federal anti-money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are also hesitant to deal with US-based cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under United States federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy to commit money laundering. Despite these laws, the United States Department of Treasury issued a memorandum in February 2014 (the "**FinCEN Memorandum**") providing guidelines for financial institutions to provide banking services to state-sanctioned cannabis businesses. Under these guidelines, financial institutions must submit a "suspicious activity report" (a "**SAR**") as required by federal money laundering laws. These cannabis related SARs are divided into three categories: cannabis limited, cannabis priority, and cannabis terminated, based on the financial institution's belief that the cannabis business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memo**") directing prosecutors to apply the enforcement priorities of the 2013 Cole Memo in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-

related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the 2013 Cole Memo, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the 2013 Cole Memo and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the 2013 Cole Memo. As such, the FinCEN Memorandum remains intact.

Enforcement of United States Federal Laws

For the reasons set forth above, the Company's existing operations in the United States, and any future investments in the United States, 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 the Company's ability to operate in the United States or any other jurisdiction. See "*Risk Factors*".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations. See "*Risk Factors*".

Further, 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, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "*Risk Factors*".

United States Enforcement Proceedings

Although the 2013 Cole Memo and 2014 Cole Memo have been rescinded, one legislative safeguard for the medical cannabis industry remains in place: United States Congress has used a rider provision in the fiscal years (each, an "FY") 2015, 2016 and 2017 *Consolidated Appropriations Acts* (currently the "**Rohrabacher-Leahy Amendment**") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Rohrabacher-Leahy Amendment was included in the FY 2018 budget passed on March 23, 2018, meaning that, the Rohrabacher-Leahy Amendment is still in effect as of today's date and will remain in effect until September 30, 2018, when FY 2019 begins.

California Regulations

In 1996, California voters passed a medical cannabis law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the "Medical Marijuana Regulation and Safety Act" ("**MCRSA**"). In 2016, California voters passed "The Adult Use of Marijuana Act", which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use cannabis regulatory frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (a) the California Department of Food and Agriculture, via CalCannabis, issues licenses to cannabis cultivators; (b) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, issues licenses to cannabis manufacturers; and (c) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the “BCC”), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California’s cannabis landscape, including the statewide track and trace system. All three agencies released their “emergency rulemakings” at the end of 2017 and have begun issuing licenses.

California has implemented a regulatory system designed to ensure, monitor and enforce compliance with all aspects of a cannabis operator’s licensed operations. To operate legally under state law, cannabis operators must obtain a state license and local approval. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality’s jurisdiction. Local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license.

Under the initial emergency cannabis regulations issued under MAURSA and California state law, all state licensed cannabis businesses were entitled to rely on certain transition provisions until June 30, 2018. These provisions were included to ease the transition of businesses into the new regulatory regime introduced on January 1, 2018 in California. The provisions grandfather the sale of certain products compliantly produced prior to January 1, 2018, and, among other things, also allow state licensees to transact with other state licensees regardless of the parties’ recreational adult-use or medical license until July 1, 2018. On June 4, 2018, the BCC’s emergency cannabis regulations were readopted and are scheduled to continue to be in effect until December 3, 2018.

The following is an overview of some of the principal license types issued in California, each of which can be issued with a medical (M-Class) or recreational adult-use (A-Class) designation:

- (a) Types 1-5: authorized to cultivate cannabis;
- (b) Type 6: authorized to manufacture cannabis products using mechanical or non-volatile solvent extractions;
- (c) Type 7: authorized to manufacture cannabis products using volatile solvent extractions;
- (d) Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes, but does not conduct extractions;
- (e) Type P: authorized to only package or repack cannabis products or relabel the cannabis product container;
- (f) Type 8: authorized to test the chemical composition of cannabis and cannabis products;
- (g) Type 9: authorized to conduct retail cannabis sales exclusively by delivery;
- (h) Type 10: authorized to sell cannabis goods to customers;
- (i) Type 11: authorized to transport and store cannabis goods purchased from other licensed entities, and sell them to licensed retailers, and is responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance; and
- (j) Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers and distributors.

California Operations

In California, the Company is focused on marketing and growing its lifestyle brand, 1964 Supply Co.TM. The brand was launched in June 2017.

KG Inc. was established by arm's length parties as a California non-profit mutual benefit corporation for the purpose of distributing cannabis in compliance with the then-current MCRSA regulations. In June 2017, RHI and KG Inc. entered into a brand licensing arrangement for the 1964 Supply Co.TM brand whereby Rubicon sells non-cannabis materials associated with the 1964 Supply Co.TM brand. In California, Rubicon derives revenue from the sale of branded packaging.

On January 30, 2018, an agreement was executed between the Company and KG Inc. granting the Company the power to direct certain activities of KG Inc., including the option to appoint Rubicon or its affiliate as sole governing member of the collective. The Company has not yet executed this right. The Company paid total consideration of US\$620,000 to the vendors, through the issuance of 300,000 Class A common shares of the Company at a deemed price of US\$2.00 per share and US\$20,000 in cash to the governing members. Effective from that date, KG Inc. is consolidated for financial reporting purposes, as while not a legal subsidiary, it is considered a controlled entity as Rubicon has the ability to execute a control right.

On April 17, 2018, KG Inc. received its temporary license from the BCC for the distribution of cannabis products. KG Inc. has entered into various licensing arrangements with state licensed distribution companies for distribution of the brand. On August 15, 2018, the temporary state license of KG Inc. expired. On August 14, 2018, the Company signed a packaging licensing agreement with CMX, a company licensed under California cannabis laws, to distribute 1964 Supply Co.TM branded product in California on terms substantially similar to the former agreement with KG Inc. The Company is exploring additional options in terms of its 1964 Supply Co.TM brand, including entering into brand licensing arrangements with other licensees.

The Company also owns a three-acre plot of land in the City of Greenfield, Monterey County, California that, together with KG Inc., received municipal permits for the cultivation, extraction and distribution of cannabis. The Company is currently assessing its strategic options for this property, including the construction of a cultivation or extraction facility.

Washington Regulations

In November 2012, Initiative 502 (“**I-502**”) passed pursuant to a vote by the people of the State of Washington. I-502 authorized the WSLCB to regulate and tax recreational cannabis products for persons over 21 years of age. Under the State of Washington regulations, a Marijuana Producer Tier I is allowed to grow up to 2,000 square feet of dedicated plant canopy, a Marijuana Producer Tier II is allowed to grow between 2,000 square feet and 10,000 square feet of dedicated plant canopy, and a Marijuana Producer Tier III is allowed to grow between 10,000 square feet and 30,000 square feet of dedicated plant canopy. A WSLCB-commissioned report by the RAND Corporation suggests that there are currently up to 700,000 recreational cannabis users in the State of Washington, worth approximately US\$1.25 billion to US\$1.5 billion in annual sales.

WSLCB regulation requires licensed operators and all shareholders to be residents of Washington, Rubicon, as a widely-held private company, is unable to satisfy this requirement and has not acquired a direct license under Washington's cannabis regulatory program to date. The Company is a provider of turnkey facilities and licenses brands to state-licensed producer and processor licensees. Management believes the Company's ancillary involvement in the cannabis sector is in substantial compliance with Washington's cannabis regulatory program and the Company conducts itself in a manner consistent with United States federal and state enforcement priorities. Moreover, management believes the Company's Ferndale Greenhouse (as defined below) has been built to state requirements and is run in accordance with the related licensing requirements and the regulatory framework enacted by the State of Washington.

1. Application and Licensing

In the State of Washington, every individual with an ownership or equity interest, a right to receive a percentage of gross or net profits, or who exercises control over a licensed cannabis operator must apply for licensing with the WSLCB and be approved. Each applicant must be over 21 years of age and a Washington resident.

An applicant for WSLCB licensing (a “**WSLCB Applicant**”) must provide the WSLCB with the WSLCB Applicant's organizational and operational documents, including the entity's operating agreement and a detailed operating plan, in order to verify that the proposed business meets the minimum requirements for licensing.

A WSLCB Applicant must provide the WSLCB with the applicant's financial statements to verify the source of funds for the business, including any acquisition agreements and any agreements for the development of an operating cannabis business, as well as financial documents verifying the source of funds for all purchases of and material changes to the business. All capital contributions made to an existing licensee must also be approved by the WSLCB. A WSLCB Applicant must disclose any financiers that are providing funds to be used by the cannabis business, and such financiers, except banks and other financial institutions, are subject to a substantially similar application process through the WSLCB. Financiers need not be Washington residents, but must be United States residents and all shareholders of a financier, in the case of a business entity, must meet the same requirements.

A WSLCB Applicant must provide the WSLCB the WSLCB Applicant's and the WSLCB Applicant's spouse's personal and criminal history, including fingerprints for the submission of a criminal records background check with the Washington State Patrol and the United States Federal Bureau of Investigation. Conviction for certain serious crimes, or over a certain amount of convictions for more minor crimes, may disqualify a WSLCB Applicant from holding a WSLCB cannabis license.

Any change in the initial ownership of a cannabis entity must receive prior approval through the WSLCB, and is to undergo a review of the same rigor and breadth as an initial application.

2. Operations

A WSLCB Applicant must provide an operational plan that includes a detailed description of all applicable areas of: security; traceability; employee qualifications and training; transportation of product including packaging for transportation; destruction of waste product; description of growing operation including growing media, size of grow space allocated for plant production, space allocated for any other business activity, description of all equipment used in the production process, and a list of soil amendments, fertilizers, other crop production aids, or pesticides, utilized in the production process; description of the types of products to be processed with a complete description of all equipment including all cannabis infused edible processing facility equipment and solvents, gases, chemicals and other compounds used to create extracts and for processing of cannabis-infused products; testing procedures and protocols; employee compensation and benefits data; description of packaging and labeling of products; and the array of products which are to be sold and how the products are to be displayed to consumers.

Any significant change in the operational plan (e.g. adding volatiles processing capabilities, expanding the floorplan of the cannabis business, etc.) of a licensed cannabis entity must receive prior approval through the WSLCB, and undergoes a review of the same rigor and breadth or review as an initial application.

3. Inspections

The Washington State Liquor and Cannabis Board sends an enforcement officer to inspect each proposed cannabis facility prior to granting approval to be authorized to begin cultivation, processing, or dispensing. Licensed operators must permit Washington State Liquor and Cannabis Board enforcement officers to inspect the premises, vehicles, records, and cannabis products at any time, and random inspections are conducted frequently by enforcement officers.

4. Security Requirements

The WSLCB requires all licensed operators, employees, and non-employee visitors other than retail customers to display an identification badge at all times on the premises. Each licensed operator must keep a log of all visitors other than retail customers to the premises.

All premises must have a security alarm system on all perimeter entry points and perimeter windows. All premises must have a complete video surveillance system with minimum required camera resolution and a surveillance system storage device or internet protocol storage compatibility that: (a) records continuously for 24 hour per day, (b) has cameras in fixed places that allow for the clear identification of persons and activities in the controlled areas of the premises, including grow rooms, processing rooms, storage rooms, disposal rooms/areas and point of sale rooms, (c) has the capability of recording clear images and displays the time and date of the recording, and (d) demonstrates a plan for retention of recordings for at least 45 days; and (e) provides outdoor lighting for outdoor cultivation.

5. Traceability and Inventory Tracking

Washington requires use of a seed-to-sale tracking system. Licensed operators must use an inventory control system that identifies and tracks the plant from the time it reaches a height of six inches through harvest, processing, packaging, wholesale, and retail sale. Licensed operators must also manifest and quarantine all cannabis to be delivered to another licensed operator or destroyed as waste for a period of at least 24 hours in order to allow for inspection by Washington State Liquor and Cannabis Board enforcement officers. Vehicles transporting cannabis must have: (a) a vehicle security system, including separate, secure, locking compartment to store any cannabis product; and (b) a transportation manifest reported through the seed-to-sale tracking system, including: (i) the departure time, (ii) the name, location, address and license number of the originating licensed operator, (iii) a quantity and form of product to be delivered, (iv) an estimated time of arrival, and (v) the name of the employee and identification of the vehicle delivering the product. Licensed operators must retain traceability records for three years and make records available upon request for inspection by the WSLCB or other law enforcement.

6. Pricing and Prohibited Practices

Cannabis products must be sold at a price indicative of true value. Licensed retailers may not sell cannabis products below the wholesale acquisition price of the product. Licensed cannabis producers and processors are prohibited from offering conditional sales, discounts, loans, rebates, free products, or any agreement that causes undue influence over another licensed operator. However, licensed producers and processors are allowed to provide licensed retailers certain promotional items of nominal value such as hats, mugs, etc.

7. Testing

The WSLCB requires quality assurance testing for of each lot of final cannabis product be conducted by an independent, state certified, third-party testing laboratory with a statistically significant number of samples using acceptable methodologies to ensure that all lots manufactured of each cannabis product are adequately assessed for contaminants and the cannabinoid profile is correctly labeled for consumers. The quality assurance tests required for cannabis flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to the WSLCB through the traceability system. In conjunction with the Washington State Department of Agriculture, the WSLCB conducts random screening for pesticide residues. A particular lot of cannabis product may not move forward in processing, delivery, or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

8. Packaging and Labelling

Each package containing cannabis or a cannabis product must have affixed a label including required warnings for all cannabis products and for the specific product type. The label must also include identifying information for the producer and retailer of the cannabis product. Each edible cannabis infused product must be packaged in child-safe packaging and contain 10 milligrams or less of active THC per serving. WSLCB licensed cannabis retailers must make testing results available to the customer upon request.

9. Advertising

The WSLCB limits advertising by licensee cannabis operators. Advertising in any form is prohibited within 1,000 feet of school grounds, playgrounds, recreation centers or facilities, childcare centers, public parks, libraries, or game arcades with unrestricted admission. Advertising is also prohibited on public transit vehicles or transit shelters, and on any publicly owned or operated property. Advertising visible from a public roadway may only contain the name, location, and nature of the business. No advertising may target youth or use objects likely to be appealing to youth. All advertising, including digital advertising, must include required warnings prescribed by regulation.

Washington Operations

Rubicon, through its wholly-owned subsidiaries, RP1, RP2, GPB, Red Dog, and Seymour Soil, delivers a comprehensive solution for developing, operating and supplying WSLCB licensed cannabis producers and processors. Rubicon currently generates revenue from its leased extraction facility and equipment by the following sources:

(a) sublease of its extraction facility and related equipment; and (b) licensing brand and the sale of non-cannabis materials including packaging and processing supplies. In future, Rubicon expects to generate revenue from its wholly owned greenhouse facility and equipment by the following sources: (a): leasing of the cultivation facility and related equipment; and (b) licensing brands and the sale of non-cannabis materials, including packaging, processing supplies and organic soil.

In 2016, RHI entered an option agreement with Vega, a third party I-502 licensed entity whereby RHI had the right to designate, subject to WSLCB approval, another owner of Vega. To the date of this prospectus, RHI has not exercised this option. While Vega is not a legal subsidiary, given the option agreement, it is consolidated for financial reporting purposes. Rubicon subleases a cannabis oil extraction facility in Bellingham to Vega and also has a long-term brand licensing agreement in place which allows Vega to market and sell cannabis products across the State of Washington under the Company's wholly-owned brand, Doctor & Crook Co.TM. During 2017 all revenue from sublease of extraction facilities and related equipment and licensing brand and the sale of non-cannabis materials including packaging and processing were derived from Vega.

On November 20, 2014, the Company acquired 16.6 acres of industrial land located in Ferndale, Washington. In the last quarter of 2017, the Company completed the construction of a 40,000 square-foot high-tech, venlo-style greenhouse on the property (the "**Ferndale Greenhouse**"). The Company intends to lease the Ferndale Greenhouse to an I-502 Tier 3-licensed tenant (the "**Greenhouse Tenant**") who will also license the Company's brands. The Greenhouse Tenant is currently in the process of transferring its I-502 Tier 3 license to the Ferndale Greenhouse. The Company expects the Ferndale Greenhouse to begin cultivation during the second half of 2018.

Competitive Conditions and Environment

The Company believes that the market for the Company's products is growing. Health Canada has issued a limited number of licenses under the ACMPR to produce and sell medical cannabis. As of August 3, 2018, there are 115 LPs approved by Health Canada. The Company expects significant competition from other companies operating in the ACMPR regime. While the Company expects a high level of competition to continue into the recreational marketplace, management believes that the Company is well positioned on the basis of its intellectual property and focus on producing a superior, high quality, organic product. The Company expects that it will be one of the few certified organic LPs under the ACMPR.

As the demand for medical cannabis increases, the Company believes that new competitors will continue to attempt to enter the market. Additionally, Health Canada may accelerate its processing of applications which may result in an acceleration in the rate at which applicants become LPs. The Company believes that, due to the complex regulatory environment and significant capital requirements for facilities and operations, subsequent LPs entering the industry will have diminished access to capital. The Company's planned capital investments in infrastructure are expected to allow the Company to operate competitively on the basis of the high quality of its organic cannabis products, and low cost of production. Management expects that this will allow the Company to achieve sustainable margins in an increasingly competitive market.

As at March 31, 2018, the last month for which Health Canada has provided data, there were 296,702 registered patients under the ACMPR. This is a 201% increase over the 98,460 registered patients at the end of September 2016. The number of Health Canada registered patients has consistently grown in each month on record. Sales of dried cannabis to registered patients in the period from July 1, 2017 to December 31, 2017, totaled 12,247 kg, and sales of cannabis oil totaled 16,943 kg.

The use of cannabis for adult recreational purposes is anticipated to be legalized by the Canadian Federal Government on October 17, 2018. The potential size of the adult recreational market for cannabis has been estimated to be between C\$4.9 billion and C\$8.7 billion on the basis of a national survey of 5,000 Canadians on their views on consumption of cannabis (the "**Deloitte Report**"). The Deloitte Report indicated that 22% of Canadians consume cannabis on at least an occasional basis, with half of those (11%) consuming cannabis on a daily or weekly basis. In addition, a further 17% might be interested in using cannabis once it is legalized for recreational use. In total, 39% of Canadians are potential customers for cannabis products. To meet this demand, the Deloitte Report indicates that approximately 600,000 kg annual production of cannabis will be required. For comparison purposes, according to Health Canada, 22,771 kg of dried cannabis (i.e. not including cannabis oils) were sold to patients in the 12 month period from October 1, 2016 to September 30, 2017.

Financing for companies in the cannabis sector is more difficult than other sectors, particularly those with direct or indirect operations in the United States, due to the fact that cannabis is still classified as a Schedule I substance and illegal at a federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast growing market for legalized cannabis in both Canada and the United States has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Because of the rapid growth of the cannabis industry, Rubicon faces competition from other companies in the sector who are accessing the equity capital markets.

Property Summary Table

Property Name	Property Location	Property & Facility Details	Estimated Annual Production Capacity (kg)	Licensing Status
Delta Facility	Delta, British Columbia, Canada	Agricultural Land Reserve land: 20.3 acres Greenhouse facility size: 125,000 square feet Canopy size: 100,000 square feet	11,000	Late-stage applicant under Health Canada's ACMPR. The Company submitted its video evidence package for the Delta Facility on August 15, 2018 and is waiting for Health Canada to complete its review.
Ferndale Greenhouse	Ferndale, Washington, United States	Industrially zoned land: 16.6 acres Greenhouse facility size: 40,000 square feet Canopy size: 30,000 square feet	4,500	The Company intends to lease the Ferndale Greenhouse to an I-502 Tier 3-licensed tenant who will also license the Company's brands. The Greenhouse Tenant is currently in the process of transferring its I-502 Tier 3 license to the Ferndale Greenhouse. The Company expects the Ferndale Greenhouse to begin cultivation during the second half of 2018.
Greenfield acreage	Greenfield, Monterey County, California, United States	Industrial zoned land: 3.0 acres	Not applicable	In March 2017, RHI and KG Inc. obtained the City of Greenfield municipal permits for the cultivation, extraction and distribution of cannabis. The Company is currently assessing its strategic options for this property, including the construction of a cultivation or extraction facility.

The above table is a listing of all sites wholly owned by Rubicon and does not include leased offices or the leased extraction facility warehouse in Bellingham, Washington.

USE OF PROCEEDS

Proceeds

The gross proceeds payable to the Company from the sale of the Special Warrants pursuant to the Offering was C\$11,816,168. The estimated net proceeds received by the Company from the Offering (after deducting the Agents' Fee of C\$531,156, the cash portion of the corporate finance fee of C\$140,000 and taxes thereon to be paid to Canaccord Genuity Corp. in connection with the Offering and the estimated costs to complete the Offering of C\$450,000) were approximately C\$10,695,012. The Company has not, and will not receive any additional proceeds from the Offering upon the exercise or deemed exercise of the Special Warrants. The Company completed the Concurrent Private Placement of Units, each Unit comprised of one Common Share and one-half of one Warrant, for gross proceeds of C\$1,355,972. Total net proceeds from the Offering and the Concurrent Private Placement were C\$12,050,984.

Including the net proceeds described above, at August 31, 2018, the Company had cash of C\$4.5 million on hand.

The Company intends to use the net proceeds of the Offering and the Concurrent Private Placement as follows:

Item	Approximate Amount
Professional Fees ⁽¹⁾	C\$550,000
Repayment of Related Party Loans	C\$1,086,000
Delta Facility Development	C\$8,000,000
General and Administrative Expenses	C\$1,774,000
Working Capital	C\$640,984
Total	C\$12,050,984

(1) Legal and accounting fees substantially related to the internal Re-organization and financial statement audit and review.

Delta Facility Development

The material components of the net proceeds intended to be used for the Delta Facility development include:

Item	Approximate Amount
Grow Lights & Service Upgrade	C\$2,432,000
Construction of Processing Area	C\$1,854,000
Benches & Irrigation Adjustments	C\$941,000
Curtains, Motors & Vent Controls	C\$684,000
Systems Automation & Control Panels	C\$384,000
Dehumidifiers	C\$266,000
Backup Generator	C\$250,000
Security System & Data Storage	C\$235,000
Design Work	C\$94,000
Other	C\$422,000
Contingency	C\$438,000
Total	C\$8,000,000

General and Administrative Expenses

The material components of the net proceeds intended for use as general and administrative expenses include:

Item	Approximate Amount
Head Office Salaries ⁽¹⁾	C\$1,245,000
Professional Fees	C\$120,000
Rent / Office	C\$170,000
Insurance	C\$16,000
Information Technology & Subscriptions	C\$60,000
Taxes ⁽²⁾	C\$145,000
Banking	C\$18,000
Total	C\$1,774,000

Notes:

- (1) Calculation excludes salaries in California and Washington as they are considered “working capital” for revenue generating business.
- (2) Calculation includes the assumption of taxes incurred on revenue from intercompany management fees and property taxes.

Working Capital

The working capital of the Company is comprised primarily of net proceeds received from prior sales of Common Shares, and cash flow from its Washington and California operations. Adjusted for the issuance of the Special Warrants and the Corporate Finance Fee Special Warrants, the adjusted working capital is C\$3,207,678 as at August 31, 2018.

Working Capital as at August 31, 2018

Current assets	C\$5,325,147
Current liabilities	C\$2,117,469
Working capital as at August 31, 2018	<hr/> C\$3,207,678

The net proceeds of the Offering and the Concurrent Private Placement have been and will be used primarily to fund the Delta Facility development and other business operations to the extent that revenues from operations are insufficient to cover operating expenses. The Company has a quarterly operating cash burn rate of approximately C\$654,000, consisting of professional fees, general and administrative expenses (salaries, rent, insurance, etc.) and general working capital. The Company believes that it has sufficient cash on hand to finance its operations for the next 12 months, as the cash burn rate does not include anticipated revenues from operations or alternative sources of financing, including mortgage financing on wholly-owned properties. In addition, the Company has remaining capital expenditures of C\$2.6M to complete the optimization of the Delta Facility. With the retrofits completed to the date of this prospectus, the Delta Facility is currently ready to begin cultivation once the License to Cultivate is received from Health Canada. As such, the remaining capital required to optimize the Delta Facility will be financed through operating cash flows.

The Company will continue to assess the necessity for debt or equity financing as it proceeds with the development of its business and growth opportunities. The Company may, from time to time, determine to develop new capital projects, acquisitions, new products or services or to expand its operations beyond the scope that is presently contemplated. Such determinations could result in the Company requiring or determining to seek new financing in order to finance such undertakings.

The Company had negative cash flow from operating activities for the year ended December 31, 2017 and for the six months ended June 30, 2018, and it is expected that a portion of the net proceeds of the Offering may be used to fund such negative operating cash flow. See “*Risk Factors*”.

Pending use of the net proceeds of the Offering and the proceeds of the Concurrent Private Placement, the Company may invest all or a portion of the proceeds in short-term, high quality, interest-bearing corporate, government issued or government-guaranteed securities.

Although the Company intends to use the net proceeds of the Offering as stated above, there may be circumstances when, for business and operations reasons, a reallocation of funds may be necessary, as may be determined at the discretion of management. See “*Risk Factors*”.

Significant Events, Milestones or Objectives

The primary business objectives for the Company over the next 12 months are as follows (with anticipated completion dates included in the parentheses):

- 1) Obtain the License to Cultivate from Health Canada (2018). The Company submitted its video evidence package for the Delta Facility on August 15, 2018 and is waiting for Health Canada to complete its review;
- 2) Complete the retrofit of the Delta Facility (first half of 2019) for which C\$8,000,000 of the proceeds of the Offering has been allocated, which the Company believes is sufficient to complete this objective;
- 3) Commence cultivation of cannabis at the Delta Facility and complete each of the introductory inspection and pre-sale inspection required to obtain the right to sell cannabis as an LP (Q1 2019);
- 4) Execute supply agreements with both private and government-operated retail stores across Canada (2019);
- 5) Expand into international markets via sales agreements or strategic partnerships (Q2 2019). Rubicon has entered into the German LOI to supply the German medical market with organic cannabis product. The Company will seek to finalize the terms and enter into a definitive supply agreement with the German distributor in addition to other distributors in legal cannabis markets around the world; and
- 6) Continue to market and build the brand presence of 1964 Supply Co.TM and Doctor & Crook Co.TM in California and Washington, respectively.

There can be no assurances the above objectives will be completed. See “*Risk Factors*”.

DIVIDEND POLICY

The Company has not declared dividends on our Common Shares in the past. The Company currently intends to reinvest all future earnings in order to finance the development and growth of the business. As a result, the Company does not intend to pay dividends on their Common Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board deems relevant.

OUTSTANDING SECURITIES DATA

As at September 24, 2018, the following securities were outstanding:

Common Shares	33,152,605
Options	5,313,500
Special Warrants	3,658,820
Warrants	208,611
Broker Warrants	183,431
Restricted Share Units	50,000
Warrants (underlying Special Warrants)	1,829,410
Total (Fully Diluted)	44,396,377⁽¹⁾

Notes:

(1) Including 3,658,820 Common Shares issuable upon exercise of the outstanding Special Warrants.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

This prospectus is being filed for the purpose of qualifying the distribution of 3,658,820 Common Shares and 1,829,410 Warrants, which are to be issued upon the exercise or deemed exercise of the Special Warrants and Corporate Finance Fee Special Warrants. This prospectus is also being filed for the purpose of qualifying the distribution of 183,431 Compensation Warrants, which are to be issued upon the exercise or deemed exercise of the Broker Warrants.

Authorized Share Capital

The authorized capital of the Company consists of an unlimited number of Common Shares without par value. As of September 24, 2018, there were 33,152,605 Common Shares Issued and Outstanding.

Common Shares

Holders of the Common Shares are entitled to receive notice of, attend and vote at meetings of the shareholders. Each Common Share carries the right to one vote. The holders of the Common Shares shall, in the absolute discretion of the directors, be entitled to receive non-cumulative dividends as may be declared in respect of any one or more classes of the Common Shares then issued and outstanding. The directors of the Company shall be at liberty to declare dividends on any one or more classes of the Common Shares to the exclusion of any other class or classes of shares in the Company entitled to dividends, and no holder of any class of the Common Shares shall be entitled to receive dividends *pari passu* with, or in priority to, the holders of any other class or classes of shares of the Company entitled to receive dividends. In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders to wind-up its affairs or on a reduction of capital the holders of the Common shares shall be entitled to receive equally, on a per share basis, the amount paid up thereon together with any declared but unpaid dividends and any remaining property or assets of the Company.

The Common Shares do not have pre-emptive rights or exchange rights and are not subject to redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities, and there are no provisions which are capable of requiring a security holder to contribute additional capital. For a description of the Company's dividend policy, see "*Dividend Policy*".

Provisions as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the Company's Articles and the BCBCA. Generally speaking, substantive changes to the authorized share structure require the approval of our shareholders by special resolution (at least two-thirds of the votes cast).

Warrants

The Warrants are governed by the Warrant Indenture. Under the Warrant Indenture, each Warrant will entitle the holder thereof to acquire, one Warrant Share at an exercise price of C\$4.20 per Warrant Share (subject to adjustment in accordance with the Warrant Indenture) at any time prior to July 5, 2020.

The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. Reference is made to the Warrant Indenture for the full text of the attributes of the Warrants which, upon the qualification of the Common Shares and Warrants pursuant to this prospectus: (i) will be filed on SEDAR under the issuer profile of the Company at www.sedar.com; and (ii) may be obtained on request without charge from the secretary of the Company at #505-744 West Hastings Street, Vancouver, British Columbia V6C 1A5, telephone (604) 687-5744. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent.

No fractional Common Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid *in lieu* of fractional shares. The holding of Warrants will not make the holder thereof a shareholder of the Company or entitle such holder to any right or interest in respect of the Warrants except as expressly provided in the Warrant Indenture. Holders of Warrants will not have any voting or pre-emptive rights or any other rights of a holder of Common Shares.

The Warrant Indenture provides that the number of Warrant Shares which may be acquired by a holder of Warrants upon the exercise thereof will be subject to anti-dilution provisions governed by the Warrant Indenture, including provisions for the appropriate adjustment of the class, number and price of the securities issuable under the Warrant Indenture upon the occurrence of certain events including:

- (a) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares;
- (b) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares;
- (c) the issuance of Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of Warrants or any outstanding options);
- (d) the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95% of the "current market price", as defined in the Warrant Indenture, of Common Shares on such record date; and
- (e) the distribution to all or substantially all the holders of its outstanding Common Shares of (i) securities of any class, whether of the Company or any other entity (other than Common Shares), (ii) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), other than pursuant to a rights offering; (iii) evidences of its indebtedness or (iv) any property or other assets.

The Warrant Indenture provides that no adjustment in the exercise price will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price.

The Warrant Indenture provides that in the event that there is a reclassification of the Common Shares, capital reorganization, consolidation, amalgamation, arrangement or merger of the Company or a sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety, the holders of the Warrants will generally be entitled to receive upon exercise of the Warrants the kind and amount of Common Shares or other

securities or property that the holders would have received had they exercised the Warrants immediately prior to such event.

The Warrant Indenture also contains provisions making binding upon all holders of Warrants resolutions passed at meetings of such holders in accordance with such provisions or by instruments in writing signed by holders of Warrants holding a specified percentage of the Warrants. Any amendment or supplement to the Warrant Indenture is subject to approval by an “Extraordinary Resolution”, which is defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all the then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than 66 2/3% of the Warrants present in person or by proxy at the meeting and voted on a poll upon such resolution; or (ii) in writing signed by holders of at least 66 2/3% of the then outstanding Warrants.

Compensation Warrants

The Compensation Warrants, issuable for no addition consideration upon the automatic exercise of the Broker Warrants, are governed by warrant certificates (the “**Compensation Warrant Certificates**”). Under the Compensation Warrant Certificates, each Compensation Warrant entitles the holder thereof to acquire, subject to adjustment in accordance with the Compensation Warrant Certificates, one Common Share of the Company (a “**Compensation Warrant Share**”) at an exercise price of C\$3.25 per Compensation Warrant Share (subject to adjustment in accordance with the Compensation Warrant Certificates) at any time until 5:00 p.m. (PST) on July 5, 2020.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company’s cash and capitalization as of June 30, 2018, on an actual basis and as adjusted to give effect to the Concurrent Private Placement and the Common Shares and Warrants issuable pursuant to the Offering after deducting the Agents’ Fee, Corporate Finance Fee and estimated Offering expenses, as though they had occurred on such date. This table should be read in conjunction with the ROI Interim Financial Statements as at June 30, 2018 and accompanying notes, which appear elsewhere in this prospectus.

	As at June 30, 2018 (US\$)	Adjusted after giving effect to the Concurrent Private Placement and the Offering (US\$)
Cash	3,013,064 ⁽¹⁾	9,789,821
Debt		
Loans and Borrowings	3,249,002	3,249,002
Other Debt	3,081,752	3,081,752
Total Debt	6,330,754	6,330,754
Total Equity	15,504,496 ⁽¹⁾	22,281,253
Total Capitalization	21,835,250	28,612,007

Note:

(1) Includes US\$3,127,350 of proceeds from the Concurrent Private Placement and the Offering received prior to June 30, 2018

OPTIONS TO PURCHASE COMMON SHARES

Description of Equity Incentive Plan

The Board has established an equity incentive plan (the “**Equity Incentive Plan**”), under which stock awards may be granted to the Company’s and its subsidiaries’ directors, officers, employees and Consultants (as defined in the Equity Incentive Plan). For a summary of the terms of the Equity Incentive Plan, see “*Executive Compensation – Compensation Discussion and Analysis – Equity Incentive Plan*”.

As at September 24, 2018, 5,313,500 options were granted and outstanding under the Equity Incentive Plan. The following table sets out information regarding the outstanding options to purchase Common Shares as of the date of this prospectus. The maximum number of Common Shares which may be issued pursuant to options granted under the Equity Incentive Plan at any point in time is 20% of the total issued and outstanding Common Shares on a fully-diluted basis.

Holder of Options	Number of Optionees	Common Shares Underlying Options	Exercise Price	Expiry Date
Executive Officers and Former Executive Officers	3	1,200,000	US\$1.00	December 17, 2020
	1	500,000	US\$1.00	August 17, 2021
	1	50,000	US\$2.00	July 31, 2022
	4	915,000	\$3.25	July 31, 2023
Directors (other than those who are also executive officers) and Former Directors	3	150,000	US\$2.00	July 31, 2022
	4	250,000	\$3.25	July 31, 2023
Other Current and Former Employees	5	25,000	US\$1.00	December 17, 2020
	3	50,000	US\$1.00	June 30, 2021
	1	20,000	US\$1.50	January 12, 2022
	2	40,000	US\$2.00	July 31, 2022
	1	5,000	US\$2.00	November 15, 2022
	4	52,000	US\$2.00	January 21, 2023
	15	1,097,500	\$3.25	July 31, 2023
	3	115,000	\$3.25	September 24, 2023
Consultants	2	150,000	US\$1.00	December 17, 2020
	1	24,000	US\$1.00	March 21, 2021
	2	40,000	US\$1.00	June 30, 2021
	2	60,000	US\$1.50	January 12, 2022
	2	50,000	US\$2.00	July 31, 2022
	4	170,000	\$3.25	July 31, 2023
	2	350,000	\$8.15	September 24, 2023
Total		5,313,500		

Restricted Share Units

Date of Issuance	Description of Transaction	Expiry Date	Vesting Condition	Number of Securities
July 31, 2018	Compensation for Consulting Services	December 31, 2018	30-Day VWAP of C\$4.00/share	25,000
July 31, 2018	Compensation for Consulting Services	December 31, 2018	30-Day VWAP of C\$5.50/share	25,000

Warrants

In connection with the Concurrent Private Placement, the Company has issued Warrants, the terms of which are set forth in the following table.

Number of Warrants	Shares Underlying Warrants	Exercise Price	Expiry Date	Number of Common Shares into which Warrants may be Exercised	Effective Exercise Price per Common Share
208,611	Common Shares	C\$4.20	July 5, 2020	208,611	C\$4.20

Other Convertible Securities

In connection with the Offering, the Company also issued the following securities:

Date of Issuance	Description of Security	Price per Security	Number of Securities into which Other Convertible Securities may be Exercised
July 5, 2018	Special Warrants	C\$3.25	3,658,820 Common Shares and 1,829,410 Warrants
July 5, 2018	Broker Warrants	C\$3.25	183,431 Compensation Warrants ⁽¹⁾

Notes:

- (1) The Compensation Warrants, which are issuable for no addition consideration upon the automatic exercise of the Broker Warrants, entitle the holder thereof to acquire one Compensation Warrant Share at an exercise price of C\$3.25 per Compensation Warrant Share at any time until 5:00 p.m. (PST) on July 5, 2020.

PRIOR SALES

The following table summarizes details of the securities issued by the Company during the 12-month period prior to the date of this prospectus.

Common Shares

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
January 29, 2018	Share Offering	US\$1.60	15,625 Class A Common ⁽²⁾
May 15, 2018	Share Exchange	N/A ⁽¹⁾	28,003,372 Class A Common ⁽²⁾
July 5, 2018	Unit Offering	C\$3.25	417,222 Class A Common ⁽²⁾

Notes:

- (1) Each of these Common Share were issued pursuant to a share exchange pursuant to which the Company issued Class A Common Shares to acquire all outstanding common shares of RHI on a 1:1 basis (the “**Share Exchange**”).
- (2) On August 15, 2018, the Company renamed its Class A Common Shares as Common Shares, converted its Class B Common Shares into Common Shares, and eliminated the Class B Common Shares from its capital structure.

Stock Options

Date of Issuance	Description of Transaction	Price per Security⁽²⁾	Number of Securities
May 30, 2018 ⁽¹⁾	Option Exchange	US\$1.00	1,989,000
May 30, 2018 ⁽¹⁾	Option Exchange	US\$1.50	80,000
May 30, 2018 ⁽¹⁾	Option Exchange	US\$2.00	367,000
July 31, 2018	Option Issuance	C\$3.25	2,432,500
September 24, 2018	Option Issuance	C\$3.25	115,000
September 24, 2018	Option Issuance	C\$8.15	350,000

Notes:

- (1) Options originally granted by RHI between December 2015 and January 2018. On May 30, 2018, in connection with the Share Exchange between Rubicon and RHI, all former option holders of RHI exchanged their options on a 1:1 basis for new options in Rubicon with the same commercial terms.
- (2) Represents the exercise price of the stock options.

Warrants

Date of Issuance	Description of Transaction	Price per Security⁽¹⁾	Number of Securities
July 5, 2018	Concurrent Private Placement	C\$4.20	208,611

Notes:

- (1) Represents the exercise price of the Warrants.

Special Warrants

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
July 5, 2018	The Offering	C\$3.25	3,658,820

Broker Warrants

Date of Issuance	Description of Transaction	Price per Security⁽¹⁾	Number of Securities
July 5, 2018	Compensation for the Offering	C\$3.25	183,431

Notes:

- (1) Represents the exercise price of the Compensation Warrants underlying the Broker Warrants.

Restricted Share Units

Date of Issuance	Description of Transaction	Expiry Date	Vesting Condition	Number of Securities
July 31, 2018	Compensation for Consulting Services	December 31, 2018	30-Day VWAP of C\$4.00/share	25,000
July 31, 2018	Compensation for Consulting Services	December 31, 2018	30-Day VWAP of C\$5.50/share	25,000

ESCROWED SECURITIES

As at the date of this prospectus, the securities expected to be subject to escrow upon completion of the listing of the Common Shares on the CSE are shown in the following table:

Designation of Class	Total Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class at the date of prospectus⁽³⁾
Common Shares	21,976,869 ⁽¹⁾	59.70%
Options	2,815,000 ⁽²⁾	52.98%

Notes:

- (1) 21,889,369 Common Shares are subject to escrow requirements and an additional 87,500 securities are subject to contractual transfer restrictions.
- (2) 2,665,000 Options are subject to escrow requirements and an additional 150,000 options are subject to contractual transfer restrictions.
- (3) Based on 36,811,425 outstanding Common Shares at the date of this prospectus, assuming the issuance of the Common Shares upon deemed exercise of the Special Warrants.

Section 3.5 of National Policy 46-201 – *Escrow for Initial Public Offerings* (“NP 46-201”) provides that all shares of a company owned or controlled by a Principal (as defined in NP 46-201) will be escrowed at the time of the Company’s initial listing, unless the shares held by the Principal or issuable to the Principal upon conversion of convertible securities held by the Principal collectively represent less than 1% of the total issued and outstanding shares of the Company after giving effect to the initial public offering.

At the time of its initial public offering, an issuer will be classified for the purposes of escrow as either an “exempt issuer”, an “established issuer” or an “emerging issuer”, as those terms are defined in NP 46-201.

Uniform terms of automatic timed release apply to Principals of exchange listed issuers, differing only according to the classification of the issuer. The Company anticipates that it will be classified as an “emerging issuer”. As such, the Company anticipates that the following automatic timed releases will apply to the securities held by the Principals listed in the table above:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the date the Company's securities are listed on a Canadian exchange	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

TRADING PRICE AND VOLUME

The Common Shares were not previously traded on any market or exchange.

PRINCIPAL SHAREHOLDERS

As of the date of this prospectus, to the knowledge of the directors and executive officers of the Company, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the following:

Name	Type of Ownership	Number and Type of Securities Owned	Percentage of Outstanding Shares ⁽¹⁾	Percentage of Outstanding Shares on a Fully Diluted Basis ⁽²⁾
Jesse McConnell	Beneficial and of record	10,275,263 Common Shares	27.91%	23.14%
Eric Savics	Beneficial	9,385,148 Common Shares	25.50%	21.14%

Notes:

- (1) Based on 36,811,425 outstanding Common Shares at the date of this prospectus, assuming the issuance of the Common Shares upon deemed exercise of the Special Warrants.
- (2) Based on 44,396,377 outstanding Common Shares on a fully diluted basis, assuming the exercise of 5,313,500 outstanding options, 2,038,021 Warrants (including warrants underlying the Special Warrants and Corporate Finance Fee Special Warrants), the exercise of 3,635,744 Special Warrants, 23,076 Corporate Finance Fee Special Warrants and 183,431 Compensation Warrants, each on a one to one basis, and 50,000 restricted share units of the Company.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, province or state and country of residence, position with us, principal occupation and the date on which the person became a director or executive officer. Our directors are expected to hold office until our next annual general meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 22,014,369 Common Shares, representing 66.4% of the Common Shares outstanding as at the date of this prospectus. This calculation does not include the 5,000 Special Warrants that were purchased by directors and executive officers under the Offering.

Directors and Executive Officers

Name and Province or State and Country of Residence	Position with the Company	Age	Director/Officer Since	Principal Occupation
Jesse McConnell British Columbia, Canada	Chief Executive Officer and Director	41	May 15, 2015	CEO of the Company since May 20, 2015. Previously, President of RH GP Inc. in Vancouver, British Columbia from October 2014 to May 2015 and President of JM Consulting in Squamish, British Columbia from January 2008 to October 2014. Mr. McConnell Co-Founded

				Whistler Medical Marijuana in 2013.
Margaret Brodie British Columbia, Canada	Chief Financial Officer and Director	40	May 24, 2018	CFO of the Company since November 10, 2016. Ms. Brodie also serves as Director of Plata Latina Minerals Corp and formerly CFO (2012 – 2016). In addition, Ms. Brodie has acted as CFO for Riva Gold Corporation (TSX-V) until its purchase by Arizona Mining Inc. in 2013 (TSX)(2010-2013) and Armor Minerals Corp (2015). Prior to that, Ms. Brodie was a Senior Manager with KPMG LLP in Vancouver, British Columbia and London, United Kingdom.
Peter Doig British Columbia, Canada	Chief Scientific Officer	41	May 24, 2018	Chief Scientific Officer of the Company and Professional Agrologist at Upland Agricultural Consulting Ltd. in Sechelt, British Columbia from June 2011 to July 2017. Mr. Doig designed and led the certified organic growing program at Whistler Medical Marijuana, the first federally regulated cannabis facility to receive an organic certification. Mr. Doig also wrote the certified organic cannabis standards for Fraser Valley Organic Producers Association.
David Colleran British Columbia, Canada	Director, Finance Canada	33	April 1, 2017	Director, Finance Canada since April 1, 2017. Previously, Manager at Ernst & Young LLP Vancouver, British Columbia since 2009.
Bryan Disher ⁽¹⁾⁽²⁾ British Columbia, Canada	Director	61	May 24, 2018	Director at Balmoral Resources Ltd. since March 2016 and Director at Lexington Bioscience, Inc. since December 2016. Previously, Managing Partner and Assurance Leader at PricewaterhouseCoopers Ukraine from March 2011 to June 2015 and prior to that Partner at PricewaterhouseCoopers in Canada.
David Donnan ⁽¹⁾⁽³⁾ Illinois, United States	Director	63	May 24, 2018	Partner at A.T. Kearney in Chicago since January 2010. Director of the Academy of Nutrition and Dietetics (2018) and FamilyFarmed (2018). Has held senior leadership positions with Bridge Strategy Group LLC, Checkpoint Systems

				North America, KPMG LLP, and Canada Packers.
John Pigott ⁽¹⁾⁽³⁾ Ontario, Canada	Director	61	May 24, 2018	Chief Executive Officer of Club Coffee Inc. in Etobicoke, Ontario since February 2007 and Chief Executive Officer of Morrison Lamothe Inc. in Scarborough, Ontario since June 1989.
Eric Savics ⁽³⁾ British Columbia, Canada	Director	75	May 24, 2018	Vice President and Director of Haywood Securities Inc. from April 1999 to December 2017.

Notes:

- (1) Member of the Audit Committee.
- (2) Chair of the Audit Committee.
- (3) Member of the Compensation Committee

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Jesse McConnell, M.A., Chief Executive Officer and Director

Jesse McConnell is the founder of the Company. Prior to this, Mr. McConnell founded one of the first federally-licensed marijuana growing facilities in Canada and first certified organic facility, Whistler Medical Marijuana. His expertise was instrumental in developing medical marijuana facilities in Ontario, Washington, California, Massachusetts, Maryland, Arizona and Illinois. Mr. McConnell's 20 plus years of industry experience also includes the development of proprietary, innovative growth techniques to produce high-quality organic cannabis crops. Mr. McConnell holds a Bachelor of Economics and a Master's degree in Philosophy. Mr. McConnell performs his role as Chief Executive Officer in a full-time capacity under an employment contract with the Company.

Margaret Brodie, CPA, CA, Chief Financial Officer and Director

Margaret Brodie has over 19 years' experience in finance, of which 10 were spent with KPMG. Ms. Brodie spent six years in London, UK, working with global drinks and mining companies. While at KPMG she was on the emerging leaders program and active in thought leadership publication. After KPMG, Ms. Brodie worked with the Augusta mining group and acted in a corporate development role and as the CFO for several listed companies. Ms. Brodie holds CPA and CA designations in Canada and a Bachelor of Commerce Degree from the University of British Columbia. Ms. Brodie performs her role as Chief Financial Officer in a full-time capacity under an employment contract with the Company.

Peter Doig, P.Ag., Chief Scientific Officer

Peter Doig is a Professional Agrologist (P.Ag.) with over 20 years of experience in the Biochemistry, Microbiology, and BioResource Engineering of soils, water, nutrients, and Agricultural Production. He directed the award-winning team that developed the organic growing processes for Origin O, which is the largest organic greenhouse tomato producer in North America. Mr. Doig designed and led the certified organic growing program at Whistler Medical Marijuana, the first federally regulated cannabis facility to receive an organic certification. Mr. Doig has overseen and written standards in organic cultivation for a range of fruits and vegetables, including the organic standards for the

FVOPA specific to cannabis. Mr. Doig performs his role as Chief Scientific Officer in a full-time capacity under an employment contract with the Company.

David Colleran, CPA, CA, Director Finance, Canada

Dave Colleran is a CPA, CA who commenced his career with Ernst & Young LLP. During his time at Ernst & Young LLP, Mr. Colleran spent time consulting to BHP Billiton LLP and working in the national technical accounting services group. Mr. Colleran graduated from the University of British Columbia in 2008 with Bachelor of Kinesiology and went on to complete the Diploma in Accounting Program at the University of British Columbia and a Masters of Professional Accounting at the University of Saskatchewan. Mr. Colleran performs his role as Director Finance in a full-time capacity under an employment contract with the Company.

Bryan Disher, CPA, CA, ICD.D, Director

Bryan Disher is a retired partner with PwC Canada and has 37 years of experience with the firm's practices in Canada, Australia and Ukraine. He has assisted companies with public offerings in Canada and the United States, acquisitions, financial reporting, regulatory compliance and governance. He served on the board of directors of PwC Canada for eight years, including a term as Chair. Mr. Disher has also served as a Director for Balmoral Resources Ltd. since March 2016 and for Lexington Bioscience, Inc. since December 2016. Mr. Disher holds a Bachelor of Business Administration from the University of New Brunswick.

David Donnan, P. Eng., MBA, Director

Dave Donnan is a leader in the global food and agriculture sector with over 35 years of experience working in consumer products, technology and retail industries. He is a senior partner with A.T. Kearney and leads their global food and beverage team. His expertise in leading transformation projects in business and growth strategy, supply chain design has propelled him to the forefront at conferences where he addresses issues in global food supply, advanced technologies and economic trends in the food industry. Mr. Donnan holds a Bachelors of Science, Engineering from the University of Toronto and a Masters of Business Administration from the University of Toronto, Rotman School of Business.

Eric Savics, Director

Eric Savics is a Director of the Company. Mr. Savics is an entrepreneur with a 35-year background in finance. Mr. Savics was a Vice President and Director of Haywood Securities Inc. from April 1999 to December 2017. Co-Founder of First Marathon Securities Ltd., an independent brokerage firm, which was acquired by Haywood Securities Inc. in 1999.

John Pigott, Director

John Pigott serves as President and Chief Executive Officer of Morrison Lamothe Inc. and the Chief Executive Officer of Coffee Club. Mr. Pigott's background includes experience in manufacturing frozen food products for many national and retailer owned brands. He has extensive experience in strategic planning, product development and sales and has had tremendous success in growing Morrison Lamothe. Mr. Pigott has also served as Director of Polytainers Inc. since September 2005.

Corporate Cease Trade Orders

None of the directors or executive officers has, within the 10 years prior to the date of this prospectus, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Corporate Bankruptcies

None of our directors or executive officers has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted

any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

Other than as set out below, no director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

In 1999, Eric Savics entered into a settlement agreement along with four other parties with the Toronto Stock Exchange as well as the British Columbia Securities Commission and Ontario Securities Commission in relation to a matter regarding conflict of interest and supervision of employees. The matter was settled with fines being paid.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of management of the Company as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

Advance Notice Provision

We have included an advance notice provision with respect to the election of our directors in our articles (the “**Advance Notice Provision**”). The Advance Notice Provision provides for an advance notice requirement by any shareholder who intends to nominate any person for election as director of the Company.

Among other things, the Advance Notice Provision sets a deadline by which such shareholders must notify the Company in writing of an intention to nominate directors prior to any meeting of shareholders at which directors are to be elected and set forth the information that the shareholder must include in the notice for it to be valid.

In the case of an annual meeting (which includes an annual and special meeting) of shareholders, notice to the Company must be made not less than 30 days prior to the date of the annual meeting; provided, however, that if the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the tenth day following such public announcement.

In the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), notice to the Company must be made not later than the close of business on the fifteenth day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

EXECUTIVE AND DIRECTOR COMPENSATION

The following section describes the significant elements of our executive compensation program, with particular emphasis on the process for determining compensation payable to our named executive officers in 2018 (“**Named Executive Officers**” or “**NEOs**”). Where relevant, the discussion below also reflects certain contemplated changes to our compensation structure.

Our anticipated NEOs for fiscal 2018, are as follows:

- Jesse McConnell, Chief Executive Officer and Director
- Margaret Brodie, Chief Financial Officer and Director
- Peter Doig, Chief Scientific Officer

Overview

Our executive compensation program has been designed to motivate, reward, attract and retain high caliber management deemed essential to ensure our success. The program seeks to align executive compensation with our short-term and long-term business objectives, business strategy and financial performance. Our compensation program is designed to achieve the following objectives:

- provide competitive compensation opportunities in order to attract and retain talented, high caliber executive officers, whose expertise, skills and performance are critical to our success;
- motivate these executive officers to achieve our strategic vision and business objectives;
- align the interests of our executive officers with those of our shareholders and other stakeholders by tying a meaningful portion of compensation directly to the overall growth of our business; and
- provide incentives that encourage appropriate levels of risk-taking by the executive team.

Compensation Discussion and Analysis

Determination of Compensation

The Board is responsible for the oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure.

Until July 31, 2018, the Company had no formal Compensation Committee (“CC”) and compensation has been based on base salary and the equity incentive plan. Base compensation for the last three years has remained unchanged since the completion of the Initial Financing of RHI in 2015 and the only additional compensation was in the form of the issuances under the Equity Incentive Plan in 2015 and 2016. An additional grant under the Equity Incentive Plan was issued on July 31, 2018.

On July 31, 2018 in anticipation of certain significant milestones the Company expects to achieve in the next several months, including the listing of the Common Shares on the CSE and receipt of a license to cultivate marijuana in Canada, a CC has been established to make decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for the executive officers, as well as to approve corporate goals and objectives relevant to their compensation. The CC expects to review executive compensation in the third quarter of 2018. Any compensation review would be based on the scope of executive officers responsibilities and their prior relevant experience, taking into account compensation paid by other companies in the industry for similar positions and the overall market demand for such executives at the time of hire.

Elements of Our Executive Compensation Program

Our executive compensation program will consist primarily of the following elements:

Base Salary

Base salaries for executive officers were established when the Company was founded and have not changed since. Once certain milestones are reached such as the public listing and receipt of license to cultivate marijuana in Canada, the Company intends to review its compensation plan for executive officers as described above.

Bonus Plans

Given the lifecycle of the Company until this point, the Company has not paid any bonuses. A bonus plan will be considered in future as the business further develops.

Equity Incentive Plan

The Company's long term incentive plan is currently comprised of incentive stock options. The Company currently has 5,313,500 options and 50,000 restricted share units outstanding under the Equity Incentive Plan. The Equity Incentive Plan is a 20% rolling stock option plan and allows the Company to grant incentive stock options, non-statutory stock options, restricted stock awards and restricted stock unit awards to the company's employees, directors and consultants (collectively referred to as the "**Optionees**"), as additional compensation and to incentivise such persons to put forth their maximum effort for continued growth and success of the Company. It offers Optionees an opportunity to participate in the progress of the Company. The granting of such Options is intended to align the interests of such persons with those of the Company.

The Board is responsible for administering the Equity Incentive Plan and has overall authority for interpreting, applying, amending and terminating the Equity Incentive Plan, as well as the authority under the Equity Incentive Plan to delegate some or all of the administration of the Equity Incentive Plan to a committee.

The aggregate number of Common Shares reserved for issuance under the Equity Incentive Plan as of the date hereof is 7,362,285 Common Shares and the aggregate maximum number of Common Shares that may be issued pursuant to the exercise of Incentive Stock Options is 6,000,000 as defined under the Equity Incentive Plan.

Options granted under the Equity Incentive Plan generally vest and become exercisable in periodic installments that may or may not be equal. The options expire up to 10 years after the date at which they are granted. The Equity Incentive Plan also provides that, unless otherwise determined by the Board, if the Optionee ceases to be an employee, director or Consultant of the Company, their options terminate within a period of time after the Optionee actually ceases to be an employee, director or Consultant of the Company. The exercise price for options granted under the Equity Incentive Plan is determined by the Board, but may not be less than the market value of the Common Shares.

The Equity Incentive Plan provides that if options granted under the Equity Incentive Plan would otherwise expire during a trading black-out period or within ten business days following the end of such period, the expiry date of such options are extended to the tenth business day following the end of the black-out period. Options granted under the Equity Incentive Plan are not transferable, subject to limited exceptions. The Board has overall authority for interpreting, applying and amending and terminating the Equity Incentive Plan.

The Equity Incentive Plan has not been previously approved by the shareholders of the Company.

Perquisites and Other Benefits

Certain of our executive officers are provided perquisites to aid in the performance of their respective duties and to provide compensation competitive with executives with similar positions and levels of responsibilities. Perquisites generally include reimbursement of automobile expenses, monthly personal cell phone allowances, technology allowances and/or payment of professional development fees. On a prospective basis, we intend to provide similar perquisites and benefits.

Health and Insurance Benefits

Each of our executive officers, including our Named Executive Officers, is eligible to participate in our health and insurance plans on the same terms and conditions as provided to all other eligible employees. Such benefits include:

- medical and dental benefits;
- long-term disability insurance; and
- life insurance and accidental death and disability coverage.

We believe the benefits described above are necessary and appropriate to provide a competitive compensation package to our executive officers, including our Named Executive Officers.

Tax Considerations

As a general matter, our Board reviews and considers the various tax and accounting implications of compensation programs we utilize.

Compensation Risk Assessment

In connection with becoming a reporting issuer, our Board will review the potential risks associated with the structure and design of our various compensation plans, including a comprehensive review of the material compensation plans and programs for all employees.

Director Compensation

The Company contemplates that each independent director will be entitled to participate in any security-based compensation arrangement or other plan adopted by the Company with the approval of the Board and/or the Company's shareholders, as may be required by applicable law or CSE policies.

The Company expects that its directors will be reimbursed for expenses incurred on the Company's behalf.

Compensation of Named Executive Officers and Directors

The following table sets out information concerning the expected compensation for the year ending December 31, 2018 to be paid to our NEOs and directors of the Company. The following table is expressed in United States Dollars.

Name and Principal Position	Base Salary US\$	Share-Based Awards ⁽¹⁾ US\$	Bonus US\$	All Other Compensation US\$	Total Compensation US\$
Jesse McConnell Chief Executive Officer and Director	150,000	158,018	-	3,105	311,123
Margaret Brodie Chief Financial Officer and Director	140,000	282,706	-	1,485	424,191
Peter Doig Chief Scientific Officer Officer	140,000	126,505	-	-	266,505
Bryan Disher Director	-	42,262	-	-	42,262
David Donnan Director	-	42,262	-	-	42,262
John Pigott Director	-	42,262	-	-	42,262
Eric Savics Director	-	62,113	-	-	62,113

Note:

- (1) The Black Scholes option pricing model is used for calculating the value of option based awards utilizing the same assumptions described in the enclosed financial statements for the Company.

Option-Based Awards

The following table sets out for each NEO and director of the Company information concerning all option-based awards expected to be outstanding immediately following the filing of this prospectus.

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class ⁽¹⁾	Date of Issue or grant	Issue, conversion or exercise price	Expiry date
Jesse McConnell Chief Executive Officer and Director	Options to purchase Common Shares	400,000 310,000 (1.9% of Common Shares)	May 30, 2018 ⁽²⁾ July 31, 2018	US\$1.00 C\$3.25	December 17, 2020 July 31, 2023
Margaret Brodie Chief Financial Officer and Director	Options to purchase Common Shares	400,000 500,000 305,000 (3.3% of Common Shares)	May 30, 2018 ⁽²⁾ May 30, 2018 ⁽²⁾ July 31, 2018	US\$1.00 US\$1.00 C\$3.25	December 17, 2020 August 17, 2021 July 31, 2023
Peter Doig Chief Scientific Officer	Options to purchase Common Shares	400,000 250,000 (1.8% of Common Shares)	May 30, 2018 ⁽²⁾ July 31, 2018	US\$1.00 C\$3.25	December 17, 2020 July 31, 2023
Bryan Disher Director	Options to purchase Common Shares	50,000 50,000 (0.3% of Common Shares)	May 30, 2018 ⁽²⁾ July 31, 2018	US\$2.00 C\$3.25	April 24, 2022 July 31, 2023
David Donnan Director	Options to purchase Common Shares	50,000 50,000 (0.3% of Common Shares)	May 30, 2018 ⁽²⁾ July 31, 2018	US\$2.00 C\$3.25	April 24, 2022 July 31, 2023
John Pigott Director	Options to purchase Common Shares	50,000 50,000 (0.3% of Common Shares)	May 30, 2018 ⁽²⁾ July 31, 2018	US\$2.00 C\$3.25	April 24, 2022 July 31, 2023
Eric Savics Director	Options to purchase Common Shares	100,000 (0.3% of Common Shares)	July 31, 2018	C\$3.25	July 31, 2023

Notes:

- (1) Based on 36,811,425 outstanding Common Shares at the date of this prospectus, assuming the issuance of the Common Shares upon exercise of the Special Warrants.
- (2) Options originally granted under RHI between Dec 2015 and Apr 2017. On May 30, 2018, in connection with the Share Exchange between Rubicon and RHI, all former option holders of RHI exchanged their options on a 1:1 basis for new options in Rubicon with the same commercial terms.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth particulars of the value of option-based awards and share-based awards which vested during the year ended December 31, 2017.

Name and position	Option-based awards - value vested during the year US\$	Share awards - value vested during the year US\$	Non-equity incentive plan compensation pay out during the year awards - value vested during the year US\$
Jesse McConnell Chief Executive Officer and Director	-	N/A	N/A
Margaret Brodie Chief Financial Officer and Director	90,938	195,890	N/A
Peter Doig Chief Scientific Officer	-	N/A	N/A
Bryan Disher Director	68,354	N/A	N/A
David Donnan Director	68,354	N/A	N/A
John Pigott Director	68,354	N/A	N/A
Eric Savics Director	-	N/A	N/A

Exercise of Compensation Securities by Directors and NEOs

There have been no securities exercised by directors of the Company or NEOs for the year to date of the filing of this prospectus.

Employee Agreements and Termination and Change of Control Benefits

Each of the NEO's has entered into an employment agreement with the Company. Those employment agreements include provisions regarding base salary, eligibility for annual bonuses and enrolment of benefits, among other things including termination and change of control provisions.

Incorporated within their employment agreements, each NEO has entered into a non-disclosure and confidentiality agreement ("NDA"). The NDA requires that all information, such as trade secrets, data or other proprietary information relating to products, procedure or formulas, that is disclosed to the NEO through the course of their employment is considered "confidential information" that is the exclusive right and property of the Company. Upon termination of employment, the employment agreement provides that each NEO is prohibited for one year from developing, manufacturing, and marketing products or engaging in consulting services which, in the Company's sole discretion, are competitive to the Company's business.

Change of Control Benefits

In the event that Mr. McConnell, Ms. Brodie or Mr. Doig should resign for any reason or the Company should terminate his/her employment without Cause (as defined in the respective employment letter or agreement) within six months after a Change of Control, the Company shall compensate each a lump sum cash amount of one and one half (1.5) times their annual salary. The estimated incremental payment from the Company to each NEO after a Change of Control, assuming a triggering event occurred on December 31, 2018, would be US\$225,000 to Mr. McConnell and US\$210,000 to Ms. Brodie and Mr. Doig. In addition, all non-vested securities under any securities compensation

plan granted to the NEO shall immediately and fully vest on the effective date of such termination and be redeemable or exercisable for 90 days thereafter.

In the context of the executive officer employment agreements, Change of Control means: (i) the acquisition, directly or indirectly, by any person or group of persons acting in concert, as such terms are defined in the British Columbia Securities Act, of common shares of such Company which, when added to all other common shares of such Company at the time held directly or indirectly by such person or persons acting in concert, totals for the first time 50% of the outstanding common shares of such Company; or (ii) the removal, by extraordinary resolution of the shareholders of such Company, of more than 51% of the then incumbent directors of such Company, or the election of a majority of directors to the Board of such Company who were not nominees of such Company's incumbent Board at the time immediately preceding such election; or (iii) consummation of a sale of all or substantially all of the assets of such Company, or the consummation of a reorganization, arrangement, merger or other transaction which has substantially the same effect; or (iv) consummation of a merger or other transaction whereby the majority of the prior existing senior management of the Company are replaced.

Termination Benefits

In the event of termination of an NEO by the Company without Cause or by the NEO for Good Reason (capitalized terms are as defined in the respective employment letter or agreement), the Company shall pay, at the time of such termination, a lump sum cash amount to the NEO equal to one year's annual salary. The estimated incremental payment from the Company to each NEO on termination without Cause or by the NEO for Good Reason, assuming a triggering event occurred on December 31, 2018 would be US\$150,000 for Mr. McConnell, US\$140,000 for Ms. Brodie and Mr. Doig. In addition, 50% of non-vested securities issued under the Equity Incentive Plan granted shall immediately and fully vest effective on the Termination Date and be redeemable or exercisable for 90 days thereafter.

Indemnification and Insurance

The Company maintains director and officer liability insurance and errors and omissions insurance. In addition, the Company has entered into indemnification agreements with each of its directors and officers. The indemnification agreements require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

CORPORATE GOVERNANCE

Board of Directors

Overview

Our articles provide that our Board is to consist of a minimum of three directors as determined from time to time by the directors. In accordance with the articles of the Company and the BCBCA, the Board may appoint one or more additional directors who shall hold office until the close of the next annual meeting of shareholders, provided that the total number of directors so appointed does not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

Our Board is responsible for supervising the management of our business and affairs. Our Board has adopted a formal mandate setting out its stewardship responsibilities, including its responsibilities for the appointment of management, management of our Board, strategic and business planning, monitoring of financial performance, financial reporting, risk management and oversight of our policies and procedures, communications and reporting and compliance. A copy of the mandate of our Board is attached as Appendix A to this prospectus.

Our Board is currently comprised of six directors: Jesse McConnell, Margaret Brodie, Bryan Disher, David Donnan, Eric Savics and John Pigott.

Independence

The Board is comprised of six directors, four of whom are independent. Under National Instrument 52-110 – Audit Committees (“**NI 52-110**”), an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director’s exercise of independent judgment. The Board has determined that Jesse McConnell and Margaret Brodie, executive officers of the Company, are not considered independent. Each of Bryan Disher, David Donnan, Eric Savics and John Pigott is considered independent.

In addition to chairing all Board meetings, the chair (the “**Chair**”) of the Board’s role is to facilitate and chair discussions among the Company’s independent directors, facilitate communication between the independent directors and management of the Company, and, if and when necessary, act as a spokesperson on behalf of the Board in dealing with the press and members of the public. The Chair’s responsibilities and duties will be described in detail in a position description to be developed by the Board.

The Company’s audit committee (the “**AC**”) is comprised solely of independent directors. In addition, where potential conflicts arise during a director’s tenure on the Board, such conflicts are expected to be immediately disclosed to the Board.

We have taken steps to ensure that adequate structures and processes will be in place upon completion of Rubicon becoming a reporting issuer to permit our Board to function independently of our management. Our Board will hold regularly scheduled meetings as well as ad hoc meetings from time to time. It is contemplated that in the course of meetings of the Board or committees of the Board, the independent directors are expected to hold in-camera sessions at which neither non-independent directors nor officers of the Company are in attendance.

Other Directorships

The following directors of the Company are also directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction:

Name of Director	Name of Reporting Issuer and Exchange
Margaret Brodie	Plata Latina Minerals Corp., TSX Venture
Bryan Disher	Balmoral Resources Ltd., TSX Lexington Bioscience, Inc., CSE

Orientation and Continuing Education

New directors of the Company are expected to participate in an initial information session on the Company in the presence of its senior executive officers to learn about, among other things, the business of the Company, its financial situation and its strategic planning. In addition, new directors will be furnished with appropriate documentation, providing them with information about, among other matters, the corporate governance practices of the Company, the structure of the Board and its AC, the Company’s history, its commercial activities, its corporate organization, the charters of the Board and its AC, the Company’s articles, the Company’s Code of Business Conduct and Ethics (as defined below) and other relevant corporate policies.

The Company will encourage all directors to attend continuing education programs and intends to facilitate such continuing education of its directors by providing them with information on upcoming courses and seminars that may be relevant to their role as directors or hosting brief information sessions during Board meetings by invited external advisors. In addition, the Company’s management will periodically make presentations to the directors on various topics, trends and issues related to the Company’s activities during meetings of the Board or its AC, which will be intended to help the directors to constantly improve their knowledge about the Company and its business.

Code of Conduct

Our Board has adopted a written Code of Business Conduct and Ethics (the “**Code**”) that applies to directors, officers and employees. The objective of the Code is to provide guidelines for enhancing our reputation for honesty, integrity and the faithful performance of undertakings and obligations. The Code will address conflicts of interest, use of company assets, inventions, use of Company email and internet services, disclosure, corporate opportunities, confidentiality, fair dealing and compliance with laws. As part of our Code, any person subject to the Code is required

to avoid any activity, interest (financial or otherwise) or relationship that would create or appear to create a conflict of interest.

Our directors will be responsible for monitoring compliance with the Code, for regularly assessing its adequacy, for interpreting the Code in any particular situation and for approving changes to the Code from time to time.

Directors and executive officers are required by applicable law and our corporate governance practices and policies to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law and principles of sound corporate governance require them to declare the interest in writing and where required by applicable law, to abstain from voting with respect to such agreement or transaction.

A copy of the Code will be available for review under our profile on the SEDAR website at www.sedar.com upon the completion of Rubicon becoming a reporting issuer.

The Company will also adopt an Insider Trading Policy, which complement the obligations of our directors, officers and employees under the Code. Copies of the Insider Trading Policy will be available on our website at www.rubiconorganics.com upon completion of the Company becoming a reporting issuer.

Board of Directors Committees

Audit Committee

The AC consists of three directors, all of whom are independent. They are also all financially literate in accordance with NI 52-110. The members of the AC are Bryan Disher (Chair), John Pigott and David Donnan.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. All members of the AC have experience reviewing financial statements and dealing with related accounting and auditing issues. The education and experience of each member of the AC relevant to the performance of his/her duties as a member of the AC can be found under the heading "Directors and Executive Officers – Biographies".

Our Board has adopted a written charter for the AC. The mandate of the AC is to assist our Board in fulfilling its financial oversight obligations, including the responsibility to: (a) retain and oversee the independent auditors of the Company, (b) oversee the Company's accounting and financial reporting processes and the audit and preparation of the Company's financial statements, (c) exercise such other powers and authority as are set forth in written charter of the AC; and (d) exercise such other powers and authority as shall from time to time be assigned to the AC by resolution of the Board.

A copy of the charter of the AC is attached as Appendix B to this prospectus.

Under its charter, the AC is required to pre-approve all audit and non-audit services to be performed by the external auditors in relation to us, as well as periodically review and discuss with the external auditor all significant relationships the external auditor has with the Company to determine the independence of the external auditor, including a review of service fees for audit and non-audit services.

Fees billed by the Company's external auditor, Deloitte LLP, during the financial years ended December 31, 2017 and December 31, 2016 were as follows:

Fiscal Year Ending	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2017 ⁽⁵⁾	C\$109,408	NIL	NIL	NIL
December 31, 2016 ⁽⁵⁾	C\$54,898	NIL	NIL	NIL

Notes:

(1) Fees for audit services.

(2) Fees for assurance and related services not included in audit services above.

- (3) Fees for tax compliance, tax advice and tax planning.
- (4) All other fees not included above.
- (5) Certain of these fees were incurred by and payable by RHI.

Compensation Committee

The Board has appointed the CC comprising of three independent directors. The members of the CC are David Donnan (Chair), Eric Savics and John Pigott.

The mandate of the CC is to assist our directors in carrying out the Board's oversight responsibility for (i) developing and overseeing the Company's human resources and compensation policies and processes, and (ii) demonstrating to the shareholders of the Company that the compensation of the directors of the Company who are also employees of the Company is recommended by directors who have no personal interest in the outcome of decisions of the CC and who will have due regard to the interests of all of the shareholders of the Company.

The primary compensation-related duties and responsibilities of the CC are to review and make recommendations to the Board in respect of: (i) compensation policies and guidelines; (ii) management incentive and perquisite plans and any non-standard remuneration plans; (iii) senior management, executive and officer compensation; and (iv) board compensation matters, including compensation of both independent and non-independent members of the Board. In carrying out its duties and responsibilities, the CC will assess and make a recommendation to the Board with regard to the competitiveness and appropriateness of the compensation package of the CEO, all other officers of the Company and other key employees of the Company; review and evaluate the respective performance goals and criteria for the CEO and all other senior executives and recommend to the Board the amount of regular and incentive compensation to be paid to the CEO and other senior executives; review and make recommendations to the Board regarding employment contracts and short term incentive or reward plans; review and make recommendations to the Board regarding the structure and implementation of incentive stock option plans, restricted share unit plans, performance share unit plans, and any other long term incentive plans; prepare or review reports on executive compensation and compensation discussion and analysis; and periodically review and make recommendations to the Board regarding the compensation of the Board.

More information on the process by which compensation for our directors and officers is determined as set forth under the heading "*Executive and Director Compensation*".

Majority Voting Policy

The Company has adopted a majority voting policy (the "**Majority Voting Policy**") in director elections that will apply at any meeting of our shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation as a director to the Chair of the Board promptly following the applicable shareholders' meeting. Following receipt of the resignation, the Board will consider whether or not to accept the offer of resignation and make a recommendation to the Board. Within 90 days following the applicable shareholders' meeting, the Board shall publicly disclose their decision whether or not to accept the applicable director's resignation, including the reasons for rejecting the resignation, if applicable. A director who tenders his or her resignation pursuant to this policy will not be permitted to participate in any meeting of the Board at which the resignation is considered. A copy of the Majority Voting Policy will be available on our website at www.rubiconorganics.com upon completion of the Company becoming a reporting issuer.

Term Limits

The Company has not adopted term limits for directors of the Company. The Board believes that the need to have experienced directors who are familiar with the business of the Company must be balanced with the need for renewal, fresh perspectives and a healthy skepticism when assessing management and its recommendations. In addition, as mentioned above, the Board undertakes an assessment process that evaluates its effectiveness.

While term limits can help ensure the Board gains fresh perspective, imposing this restriction means the Board would lose the contributions of longer serving directors who have developed a deeper knowledge and understanding of the Company over time. The Board believes that term limits have the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increased insight into the Company and its operations and therefore provide an increased contribution to the Board as a whole.

Board Nomination Agreement

Jesse McConnell is party to a board nomination agreement with the Company (the “**Board Nomination Agreement**”), whereby at any meeting of the shareholders of the Company at which the election or removal of directors to or from the Board is to be considered, Mr. McConnell is entitled, by providing more than 60 days written notice, to nominate one Board member for successive terms. Any nominee must be eligible to serve as a director of the Company pursuant to applicable corporate and securities laws, the rules and policies of any exchange on which the Company’s Common Shares are listed or quoted and other regulatory provisions to which the Company is subject.

If a nominee shall be disqualified, be removed or resign or otherwise cease to be a director of the Company, Mr. McConnell will have the right to designate a further nominee to fill the vacancy so created. The Board Nomination Agreement will automatically terminate if Mr. McConnell’s ownership of the Company’s issued and outstanding Common Shares decreases to below 10%.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company’s directors or officers or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of our subsidiaries.

PLAN OF DISTRIBUTION

This prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of 3,658,820 Common Shares and 1,829,410 Warrants, issuable upon the exercise or deemed exercise of 3,658,820 Special Warrants, and 183,431 Compensation Warrants issuable upon the exercise or deemed exercise of 183,431 Broker Warrants.

On July 5, 2018, the Company completed the Offering pursuant to prospectus exemptions under applicable securities legislation, of an aggregate of 3,658,820 Special Warrants issued in the Qualifying Jurisdictions (and in jurisdictions outside of Canada in compliance with laws applicable therein) on a private placement basis at a price of C\$3.25 per Special Warrant.

Pursuant to the Agency Agreement, the Company paid the Agents a cash fee of 7% of the gross proceeds from the Offering, excluding those received from certain “President’s List” subscribers, and 2.5% of the gross proceeds from the “President’s List” subscribers.

In addition to the above, the Company agreed to pay to Canaccord Genuity a corporate finance fee of C\$215,000, C\$140,000 of which was paid in cash, and C\$75,000 of which was paid by issuing 23,076 Corporate Finance Fee Special Warrants to the Canaccord Genuity, representing 0.63% of the aggregate Special Warrants distributed under the Offering.

As additional compensation, the Company issued to the Agents, and certain registrants comprising the selling group, an aggregate of 183,431 Broker Warrants, representing approximately 7% of the Special Warrants sold under the Offering, excluding those sold to “President’s List” subscribers, and approximately 2.5% of the Special Warrants sold to “President’s List” subscribers, by the Agents pursuant to the Offering. Each Broker Warrant entitles the holder thereof to acquire one Compensation Warrant upon the exercise or deemed exercise thereof. The Company is responsible for reimbursing certain fees and expenses, including legal fees, incurred by the Agents in connection with the issuance and distribution of the Special Warrants and the Common Shares and Warrants underlying the Special Warrants.

The Offering Price and other terms of the Offering were determined by negotiation between the Company and Agents.

Pursuant to the Agency Agreement, the Company agreed to use its commercially reasonable efforts to prepare and file this prospectus.

The Special Warrant Indenture provides that in the event that a receipt for the final long form prospectus is not issued to the Company by securities regulators on or prior to November 2, 2018, each Special Warrant which is exercised or deemed to be exercised thereafter will entitle the holder to receive 1.1 Common Shares and 0.55 Warrants without payment of any further consideration.

The Special Warrant Indenture provides that in the event of certain alterations of the outstanding Common Shares, including any subdivision, consolidation or reclassification, an adjustment shall be exercised of the Special Warrants

following the occurrence of any of those events and the holder thereof will be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional Qualified Securities will be issued upon the exercise or deemed exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of the Company or entitle the holder to any right or interest granted to shareholders. The Special Warrant Indenture provides that all holders of Special Warrants shall be bound by any resolution passed at a meeting of the holders of Special Warrants held in accordance with the provisions of the Special Warrant Indenture. The foregoing summary of certain provisions of the Special Warrant Indenture is qualified in its entirety by reference to the provisions of the Special Warrant Indenture, copies of which may be obtained on request without charge from the Company at #505-744 West Hastings Street, Vancouver, BC V6C 1A5, telephone: (604) 687-5744.

The Company has agreed to indemnify the Agents, their respective affiliates and their respective directors, officers, employees, partners and agents against certain liabilities and expenses or to contribute to payments the Agents may have to make because of such liabilities.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. Persons. None of the Qualified Securities have been or will be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Special Warrants may not be exercised by or on behalf of a U.S. Person or a person in the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Qualified Securities will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

The Offering was conducted in part on a certificated basis and in part through the book-based system. The Special Warrants settled by the book-based system were issued in registered form to CDS and deposited with CDS on the date of the closing of the Offering. The Common Shares and Warrants issued upon the deemed exercise of the Special Warrants settled by the book-based system will also be held by CDS. Only purchasers who received certificated Special Warrants will receive definitive certificates representing the Common Shares and Warrants upon the deemed exercise.

The Agency Agreement provides that for a period of 180 days following the closing of the Offering, the Company shall not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company, without the prior written consent of Canaccord Genuity (such consent not to be unreasonably withheld or delayed), other than in conjunction with: (i) the grant of stock options and other similar issuances pursuant to the stock option plan of the Company and other share compensation arrangements, provided such options and other similar securities are granted or issued with an exercise price not less than the issue price under the Offering; (ii) the exercise of any warrants or other convertible securities outstanding as of the closing date of the offering; (iii) obligations of the Company in respect of any agreements existing and in effect as of the closing date of the offering (iv) the issuance of securities by the Company in connection with acquisitions in the normal course of business; or (v) non-brokered private placements by the Company to its network of investors.

The directors and officers of the Company entered into lock-up agreements with the Agents, whereby such directors and officers agreed not to directly or indirectly, offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or otherwise dispose of, any securities of the Company from the date of the Offering until the date that is 180 days following the closing date of the Offering, without the prior written consent of Canaccord Genuity, on behalf of the Agents, such consent not to be unreasonably withheld or delayed.

The CSE has conditionally approved the listing of the Common Shares. Listing is subject to the Company's fulfilling all of the requirements of the CSE.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents, based on the current provisions of the Tax Act and the Regulations, none of the Common Shares, Warrants or Special Warrants, if issued on the date hereof, would be a “qualified investment” under the Tax Act for a trust governed by a “registered retirement savings plan”, a “registered retirement income fund”, a “registered disability savings plan”, a “registered education savings plan”, a “tax-free savings account”, or a “deferred profit sharing plan”, all as defined in the Tax Act.

RISK FACTORS

Investing in our securities involves significant risks. You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus, and all other information contained in this prospectus, including the consolidated financial statements and accompanying notes. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of our securities could decline and you could lose part or all of your investment.

Risks Generally Related to the Company

The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.

The Company has been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the relaxing of state and local prohibitions on the cannabis industry in California, Washington and nationwide in Canada. The Company’s lack of operating history makes it difficult for investors to evaluate the Company’s prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company’s lack of an operating history, there is no assurance that the Company will be successful and the likelihood of success must be considered in light of its relatively early stage of operations.

Uncertainty about the Company’s ability to continue as a going concern.

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the cannabis industry and grow its revenue. The Company’s ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

There is no assurance that the Company will turn profits, generate immediate revenues, or pay dividends.

There is no assurance as to whether 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 Company’s results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments 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 the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The Company had negative cash flow for the financial year ended December 31, 2017 and the six months ended June 30, 2018.

The Company had negative operating cash flow for the financial year ended December 31, 2017 and the six months ended June 30, 2018. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

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

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of 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 infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be more costly than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Refinancing the Farm Credit Canada mortgage on the Delta Facility

FCC has indicated that it will not carry over the C\$3.0 million mortgage once the Delta Facility begins cannabis cultivation. The Company is therefore seeking alternate mortgage financing from other large financial institutions in Canada. Although several financial institutions in Canada have extended loans to companies in the cannabis sector, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all.

There are factors which may prevent the Company from the realization of growth targets.

The Company is currently in the stage of expansion from early development. There is a risk that business objectives will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- reliance on the Delta Facility as the sole facility for its Canadian operations;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;

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

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

The Company has a pending application to become an LP under Health Canada's ACMPR. While the Company's license application has been completed and all documents required in connection with the license application have been submitted, there is no guaranty that the Company will receive the license. In January 2018 the Company received a Notice of Confirmation of Readiness from Health Canada. The Company submitted its video evidence package for the Delta Facility on August 15, 2018. Once Health Canada has completed its review of the video evidence package, a Pre-License Inspection is to be scheduled.

There is no guarantee that the Company will become an LP. Furthermore, the timing and success of the Company at the various steps in the licensing process is beyond the Company's control and the sole discretion thereof lies with Health Canada. 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 operating results of the Company.

It is also possible that, should the Company not be issued a license under the ACMPR prior to October 17, 2018, the Company may have to restart its application process under the Cannabis Act, which would delay or prevent the Company's ability to participate in the Cannabis industry in Canada.

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

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical 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. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavours to comply with all relevant laws, regulations and guidelines.

On April 13, 2017, the Canadian Federal Government introduced Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use, with a target implementation date of October 17, 2018. Once given effect, the proposed legislation could materially and adversely affect the future business, financial condition and results of operations of the Company, as the legislation permits home cultivation, potentially easing barriers to entry into a Canadian recreational marijuana market and implements restrictions on advertising and branding. It is possible that such developments could significantly adversely affect the future business, financial condition and results of operations of the Company.

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 of operations and financial condition.

Organic Certification and Products

The Company believes that organic products will command a higher price in the marketplace and intends to complete an organic certification process with FVOPA, a leading organization in organic certification in Canada. FVOPA provides inspection and certification for sustainable development and maintains organic standards on products, systems and services. The certification process generally includes validation of inputs, production methods and preparation procedures in accordance with Canadian organic product regulation. Organic certification aims to guarantee the organic integrity of products throughout the entire production chain. Although management believes that it has all necessary elements, including the required technical expertise, to achieve the organic certification, no assurance can be provided that the Company will obtain and retain the organic certification from FVOPA. Failure to meet or maintain the organic standards may have an adverse effect on the market price of the Company's products.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the United States

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property under United States federal and state law is impaired by the illegality of cannabis under United States federal law;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;
- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market

from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

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 to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law and the specifics of which may be unfamiliar to or misunderstood by courts, the Company may face additional difficulties in defending its intellectual property rights.

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, results of operations, sales, cash flow or financial condition.

Further, the production of substances for use or consumption by humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.

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 more strict 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 permitting requirements may result in enforcement actions thereunder, 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.

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

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results

and financial condition. In addition, despite Canadian federal and state-level legalization of marijuana, illicit or “black-market” operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

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 CEO, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company’s inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company’s business, results of operations, sales, cash flow or financial condition.

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases entry has been barred for extended periods of time. Company employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company employees, then this may reduce our ability to effectively manage our business in the United States. The Company has mitigated the impact of this risk by employing Canadian citizens to work in Canada and United States citizens to work the United States, minimizing the need for cross border travel. In addition, the Company’s CEO is a dual citizen of Canada and United States, which reduces the risk of being barred from entering the country.

Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of 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.

The size of the Company’s target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company’s estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

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 a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company’s operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company’s industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

The Company continues to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

If you purchase Securities in the Offering, you will experience substantial and immediate dilution, because the price that you pay will be substantially greater than the net tangible book value per share of the Common Shares that you acquire. This dilution is due in large part to the fact that the Company's earlier investors will have paid substantially less than a public offering price when they purchased their Common Shares.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

The Company's future business involves the growing of marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks.

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's

business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

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

The Company is reliant on key inputs, such as water and utilities, 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 a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. 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 operating results of the Company.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the United States and is new to Canada.

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Under California, Washington and Canadian regulations, a licensed producer of cannabis has restrictions on the type and form of marketing it can undertake which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada or United States regulatory authorities. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. The Company has agreements for brand licensing, consulting and facilities leases with both licensed processors and producers in Washington and California. The regulatory environment in California and Washington may in the future also restrict the type and form of marketing which could limit the Company's ability to compete for market share. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

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 be in compliance with 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 the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

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

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with 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 a number of 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 may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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 similar to 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.

Changes in the public's perception of medical and/or adult-use cannabis could increase future regulation.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Risk Factors Specifically Related to the United States Regulatory System

Cannabis is Illegal Under Federal Law

The Company has agreements for brand licensing, consulting services and facilities leasing with both licensed processors and producers in Washington and California. Similar business transactions are expected in other states that have legalized cannabis for medical and recreational use. The Company also expects to directly engage in the licensed production, processing and sale of marijuana where permitted by state law. Although these activities are permitted by state law in the states where the Company is currently engaged and intends to engage in business, directly or with agreements with licensed entities, these activities remain illegal under federal law. Marijuana remains a Schedule I controlled substance under the federal Controlled Substances Act, and the penalties for violating the federal Controlled Substances Act are very serious and, depending on the quantity of marijuana involved, may include criminal penalties of up to twenty (20) years in prison and/or a fine of up to U.S.\$2,000,000. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of marijuana as well as the money or other proceeds received in connection with such sale.

Some of the Company's current and planned business activities are illegal under United States federal law.

Although certain states and territories of the United States authorize medical or recreational cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Because the possession and use of cannabis and any related drug paraphernalia is illegal under United States federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into

and the products that it intends to provide. The Company intends to directly manufacture, distribute and sell cannabis through its subsidiaries. As a result, United States law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, and aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant United States federal laws is a significant risk.

Changes to state or local laws and regulations could affect the Company's business.

Cannabis is a new industry subject to extensive regulation at every level of government. In particular, state and local regulatory regimes with respect to cannabis are frequently changed, amended, adjusted, or otherwise modified to respond to varied pressures from stakeholders, regulators and the public. Such changes may require the Company to incur substantial legal and compliance costs and/or materially alter the Company's business plan.

Therefore, although the Company believes that its United States operations are currently carried out in accordance with all applicable rules and regulations of the states in which it does business, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce, process or sell cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis, or more stringent implementation thereof could have a substantially adverse impact on the Company.

There is uncertainty of existing protection from United States federal prosecution.

Until September 2018, the DOJ is prohibited from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws pursuant to the RBA. If the RBA or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to United States medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. 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 Rohrabacher-Leahy Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Company regularly monitors the regulatory activities of United States Congress. Fully 62% of the combined House of Representatives and the Senate represent states with medical marijuana laws enacted or in process.

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

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration about recreational and medical cannabis. Attorney General Sessions is a well-known advocate against legalization of cannabis.

On January 4, 2018, Attorney General Jeff Sessions and the DOJ issued the Sessions Memorandum. The effect of the Sessions Memorandum has been to rescind the guidance issued on August 29, 2013 relative to medical and recreational marijuana enforcement under the 2013 Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Company regularly monitors the activities of the current administration for evidence that it will contravene the Rohrabacher-Leahy Amendment enacted by United States Congress.

The cannabis industry is a new industry that may not succeed.

Should the federal government in the United States begin prosecuting those dealing in medical or other cannabis under applicable law, there may not be any market for the Company's products and services in the United States.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company's business operations may come under additional scrutiny by governmental and non-governmental agencies.

The cannabis industry may come under the scrutiny or further scrutiny by the United States Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, the State of California, the State of Washington or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. 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, which could reduce, delay or eliminate any return on investment in the Company.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, the property of the Company may be seized and the operations of the Company shut down.

The United States federal government, through both the DEA and IRS, has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The United States federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the United States Internal Revenue Service (the "IRS") to interfere with, seize, or shut down the Company's operations will have a material adverse effect on the Company's business, operating results and financial condition.

The Company is reliant on a temporary state license to distribute cannabis products in California and will be reliant on its ability to secure licenses in the State of California under MAUCRSA in the future.

The Company's ability to grow, store and sell cannabis in California is dependent on maintaining and securing licenses with the State of California directly or with other entities by way of agreement. Failure to comply with the requirements of the regulators overseeing the MAUCRSA would have a material adverse impact on the future business, financial condition and operating results of the Company. KG Inc's temporary state distribution license expired on August 15, 2018 and there can be no guarantees the State of California will issue the necessary licenses to the Company in the future. Effective August 14, 2018 the Company signed an agreement with CMX under substantially similar terms to its former agreement with KG Inc. The Company is making alternate arrangements in the short-term to license the brand to other state-licensed entities to continue routes to market, including with KG Inc.'s existing distribution partners, and expects to have a long-term solution within the next few months.

The Company's operations in the United States cannabis market may become the subject of heightened scrutiny.

The Company's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited 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. On February 8, 2018, CDS signed the CDS MOU with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, 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 marijuana-related activities in the United States. 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 Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of Common Shares through the facilities of a stock exchange.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in multiple jurisdictions, including in California and Washington. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes, including changes in the interpretation and/or administration of applicable regulatory requirements may adversely affect the Company's profitability or cause it to cease operations entirely. Any determination that the Company's business fails to comply with Washington's or California's cannabis regulations would require the Company either to significantly change or terminate its business activities, which would have a material adverse effect on the Company's business. The cannabis industry may come under the scrutiny or further scrutiny by the United States Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, California, Washington or other applicable 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 United States. 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 United States for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

No assurance of success or profitability under the new legal and regulatory structure in California.

There are no assurances that the Company will be granted any licenses in the State of California or that current licenses will be grandfathered into the new regulatory structure. The Company has not determined the extent to which the provisions of MAUCRSA will impact the Company, its business and its current and future operations. While California has legalized the sale of cannabis for medical use outside of cooperatives or collectives and the sale of cannabis for non-medical and for-profit business activities, the regulations relating to how cannabis businesses will be required to operate in the future in California are uncertain. Accordingly, there is no way to currently anticipate what the legal climate surrounding the Company's anticipated business plan will be at any point in the future and there is no assurance that the Company will operate profitably or generate revenues or profits that will permit the payment of dividends on or any increase in the value of the Common Shares.

California legislation states that once the regulations promulgated by the Bureau of Cannabis Control and any other California state agency that may become involved, are implemented, no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise in compliance with local law.

The process associated with acquiring a state license in California may become onerous and there are no assurances that the Company will be granted any state licenses at all. Previously, all applicants for a state license were required to show proof of compliance with local laws; however, pursuant to MAUCRSA, applicants may show prior compliance with local law prior to state licensure, but the burden has shifted to the city or county to alert the state within sixty (60) business days if such applicant is not in compliance with local laws. Although the Company believes it is currently, and will continue to be, in compliance with applicable state and local laws, there is no assurance that any city or county will not alert the state of any issues regarding the Company's compliance. Further, because there are different licenses for different types of commercial cannabis-related activities, even if the Company is granted one or more licenses, there are no assurances that it will be granted all the licenses it will need to implement the Company's business plan. The Company is planning to engage in lobbying local and California state officials to ensure that it has adequate representation in support of a future state license grant.

California legislation gives priority in respect of the issuances of annual state licenses to facilities and entities in operation and in good standing with a local jurisdiction by September 1, 2016, which is not applicable to the Company.

The Company is only at the beginning of its initial development phase and will not be in operation to the extent necessary to receive priority for the issuances of licenses pursuant to applicable legislation.

There are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors.

There are no assurances that, when the applicable time comes, the Company will have the capital necessary to acquire (or continue to renew) the licenses necessary to carry out its business plan. Given the necessity of such licenses, failure to possess the necessary licenses (regardless of the reason) would have a material impact on the financial condition of the Company.

Applicable legislation imposes state taxes on California's cannabis industry, and authorizes local jurisdictions to assess taxes and fees on such activities. There currently is no way to predict the tax regime that will apply when (and if) such legislation becomes effective.

MAUCRSA imposes an excise tax to be paid by the end-consumer and the dispensary; and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to any sales and use tax at the state and local level. The tax regime that is applicable to the Company's business, regardless of where the Company is in its development, will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Company's expected business plan a futile endeavor. The Company is aware of and planning for the proposed tax structure imposed under MAUCRSA as part of its development plans in California.

The Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the Tax Code

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the United States that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business expenses the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. 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. The Company's current financial plans include federal tax payable on gross profit rather than is typical in other jurisdictions on earnings before tax.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state.

States only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Some states and local jurisdictions have promulgated requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the United States Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does

not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States, and may have to operate the Company's United States business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

The Company is reliant on third-party suppliers, manufacturers and contractors.

The Company intends to maintain a full supply chain for the provision of products and services to the cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and 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.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation 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 United States Bank Secrecy Act. 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.

Any re-classification of cannabis or changes in United States controlled substance laws and regulations may affect the Company's business.

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, and the resulting re-classification may result in the requirement for approval by the United States Food and Drug Administration (the "U.S. FDA") if medical claims are made for the Company's products. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the U.S. FDA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the U.S. FDA, DEA, or any other regulatory authority determines that the Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company currently anticipates establishing whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

Some CBD is a Schedule I controlled substance in the United States. The DEA recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".

In connection with the new drug code, the DEA has clarified that all CBD products derived from the parts of the cannabis plant that fall within the CSA's definition of "marijuana" are Schedule I controlled substances. However,

CBD derived from parts of the cannabis plant that are excluded from the definition of “marijuana” under the CSA are not Schedule I controlled substances. The Company is unable to determine what the impact of this will be on its business.

The California Department of Public Health recently issued guidance indicating that it will disallow the sale of food products containing CBD in California.

On July 6, 2018, the California Department of Public Health (the “CDPH”) issued guidance indicating that it will block the sale of food products containing CBD derived from industrial hemp. While no action has been taken pursuant to this guidance, the CDPH’s position has the potential to affect the widespread availability of food products containing CBD derived from industrial hemp in California. The sale of edible products containing CBD derived from cannabis that is regulated by California pursuant MAURSA is still permitted. The Company is unable to determine what the impact of this will be on its business.

United States federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under United States federal law as a Schedule I controlled substance pursuant to the CSA, 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.

U.S. federal or state franchise laws may apply to the Company's U.S. operations.

United States federal and state franchise laws have been broadly interpreted by courts or the applicable administrative agencies to apply to arrangements where a party licenses trademarks and business methods, provides facility designs and business and marketing plans to others. It is therefore possible that a federal or state agency or court might find that certain franchise laws do apply to our relationships with our licensees. If that happens or if any state’s franchise regulatory requirements relating to the Company’s method of business impose additional requirements on the Company, the Company may be required to modify its operations in that state in a manner that undermines the Company’s attractiveness to licensees. The Company could also be subject to additional requirements to comply with these laws, such as franchise disclosure and registration requirements. If the Company becomes subject to fines or other penalties or if the Company determines that the franchise and related requirements in a jurisdiction are overly burdensome, the Company may elect to terminate operations in that jurisdiction, which may adversely affect the business, results of operations and financial condition.

The Company’s contracts may not be legally enforceable in the United States

Because the Company’s contracts involve cannabis and other activities that are not legal under United States federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in United States federal and certain state courts.

Inability to Enforce Legal Rights

One director of the Company, David Donnan, resides outside of Canada, in the United States. Although he has appointed Borden Ladner Gervais LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Company has subsidiaries which are organized under the laws of foreign jurisdictions. Given that the Company has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Company, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company’s foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

Unsophisticated Individuals and Entities

The United States market for cannabis products is highly volatile. Many entities and persons operating in the industry were formerly involved in the illegal market. Some still are, and many operate in unconventional ways. Some of these unconventional ways, which represent challenges to the Company, include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. They may not be accustomed to entering into written agreements or keeping financial records according to Generally Accepted Accounting Principles. These entities and persons may not pay attention to obligations to which they have agreed in written contracts. Therefore, it may become challenging for the Company to enter into more complex commercial transactions, which could limit the Company's growth or otherwise adversely affect the Company. Any one of these challenges, if not managed, could adversely impact the Company. These challenges may also increase the cost of the Company's operations in the near-term.

Greater Risk of Tax Audits

Based on anecdotal information, the Company believes that there is a greater likelihood that the Internal Revenue Service will audit cannabis-related businesses, including the Company. Any such audit could result in the Company's subsidiaries paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

Lack of Access to United States Bankruptcy Protections

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Limited number of tenants and customers.

Because the Company, through its affiliates and subsidiaries, intends to lease a small number of facilities, to a small number of select tenants involved in the production of cannabis and processing of cannabis, any problems associated with the business of such tenants will have an adverse effect on the Company's business, operating results and financial condition. Problems associated with such tenants may include loss of licenses to do business, delays and other problems in production; regulatory interference, including inspections and penalties for violations of the Washington Administrative Code which may affect the revenues and operations of the business; and additional unforeseen circumstances. There can be no guarantees that the Company, and/or its affiliates, will be able to find suitable tenants for their facilities, or that such tenants' performance will enable such tenants to make timely payments of rent.

Risks Related to the Company's Securities and the Offering

Management has discretion concerning the use of proceeds.

Management will have discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. As a result, an investor will be relying on the judgment of management for the application of the net proceeds of the Offering. The results and the effectiveness of the application of the proceeds are uncertain. If the net proceeds are not applied effectively, the Company's results of operations may suffer.

An investment in the Company is illiquid.

There is currently no market through which the securities of the Company may be sold and holders may not be able to resell the Special Warrants, Common Shares or Warrants acquired pursuant to the Offering. The Special Warrants (and the securities issuable thereunder) will be subject to an indefinite hold period in Canada and will only be freely tradeable in Canada in the event the Company becomes a reporting issuer in Canada. Purchasers may not be able to resell those securities. The Company's securities have not been, and may never be, registered under the U.S. Securities Act or under applicable state or foreign securities laws. In addition, subscribers may be unable to deposit Rubicon securities with a United States brokerage house. There can be no guarantee that any of the Company's securities will ever be listed on a stock exchange or other marketplace in any jurisdiction.

Holders of Special Warrants and Warrants have no rights as shareholders.

Until a holder of Special Warrants or Warrants acquires Units Shares or Warrant Shares upon exercise of Special Warrants or Warrants, as applicable, such holder will have no rights with respect to the Units Shares or Warrant Shares underlying such Special Warrants or Warrants, as applicable. Upon exercise of such Special Warrants or Warrants, such holder will be entitled to exercise the rights of a common shareholder only as to matters for which the record date occurs after the exercise date.

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

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

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
- regulatory changes in the industry.

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

The Company does not anticipate paying cash dividends.

The Company's current policy is to retain earnings to finance the development and enhancement of the Company's products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their Common Shares unless they sell them.

Dilution to Common Shares

The increase in the number of Common Shares and Warrants issued and outstanding as a result of the deemed exercise of Special Warrants, and the sale of the Common Shares and Warrants thereafter, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares and Warrant Shares, the voting power of the Corporation's existing shareholders will be diluted.

Loss on Dissolution or Termination of Company

Upon the dissolution and termination of the Company, the proceeds realized from the liquidation of assets, if any, will be distributed to the shareholders only after the claims of all creditors have been satisfied. Accordingly, the ability of a shareholder to recover all or any portion of its investment under such circumstances will depend on the amount of funds so realized and the claims to be satisfied from such funds.

There may be adverse Canadian tax consequences for a foreign controlled Canadian corporation that acquires Common shares of the Company pursuant to the exercise or deemed exercise of Special Warrants or Warrants.

Certain adverse tax considerations may be applicable to a holder of Common shares of the Company that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Common shares of the Company, controlled by a non-resident corporation for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such shareholders should consult their tax advisors with respect to the consequences of acquiring Common shares of the Company.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Company, and DLA Piper (Canada) LLP, counsel to the Agents, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") generally applicable to a beneficial owner of Special Warrants who acquires Common Shares and Warrants, pursuant to the exercise or deemed exercise of Special Warrants. For purposes of this summary, references to a "**Share**" includes a Common share of the Company issued on the exercise or deemed exercise of a Special Warrant and a Common share of the Company issued on the exercise of a Warrant unless otherwise indicated. This summary applies only to persons who, for the purposes of the application of the Tax Act and at all relevant times: (i) deal at arm's length and are not affiliated with the Company or the Agents; and (ii) hold the Special Warrants, and will hold any Shares and Warrants as capital property. Persons meeting such requirements are referred to as a "**Holder**" or "**Holders**" herein, and this summary only addresses such Holders. Special Warrants, Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a "financial institution", as defined in the Tax Act for the purpose of the mark-to-market rules; (ii) an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) that is a "specified financial institution", as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its "Canadian tax results", as defined in the Tax Act, in a foreign currency; (v) that enters into, with respect to their Special Warrants, Shares or Warrants, a "derivative forward agreement", as defined in the Tax Act; or (vi) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Special Warrants, Shares or Warrants, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"), and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Acquisition of Common Shares and Warrants Pursuant to Special Warrants

A Holder of a Special Warrant will not realize any gain or loss upon the acquisition of a Common Share and one-half of one Warrant pursuant to the provisions of the Special Warrant Indenture. Holders will be required to allocate on a reasonable basis their cost of the Special Warrant between the Common Share and one-half of one Warrant in order to determine their respective costs for purposes of the Tax Act.

The Holder's adjusted cost base of the Common Share will be determined by averaging the cost allocated to the Common Share with the adjusted cost base to the Holder of all Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Share. When a Warrant is exercised, the Holder's cost of the Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Share. The Holder's adjusted cost base of the Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "**Resident Holder**"). Persons who are residents of Canada for purposes of the Tax Act and whose Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Shares, and every other "Canadian security" (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Persons whose Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Special Warrants or Warrants.

Dispositions of Shares and Warrants

A Resident Holder who disposes or is deemed to dispose of a Share (other than a disposition to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market) or a Warrant (other than a disposition arising on the exercise or expiry of a Warrant) will generally realize a capital gain (or loss) in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Share or the Warrant, as the case may be, to the Resident Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on a disposition of Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Shares to the extent and under the circumstances specified in the Tax Act. Similar rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable for an additional tax (refundable in certain circumstances) on its “aggregate investment income” (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

Dividends

Dividends received or deemed to be received by a Resident Holder on Shares will be included in computing the Resident Holder’s income for purposes of the Tax Act. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Company provides notice to the recipient designating the dividend as an “eligible dividend” for purposes of the Tax Act. There may be limitations on the ability of the Company to designate dividends as “eligible dividends”.

Dividends received or deemed to be received on the Shares by a Resident Holder that is a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Shares to the extent that such dividends are deductible in computing the Resident Holder’s taxable income. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Resident Holders should consult their own tax advisors with respect to the application of minimum tax.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act (i) is not, and is not deemed to be, resident in Canada, and (ii) does not use or hold the Shares or Warrants in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act) and such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed under the Tax Act to be paid or credited by the Company to a Non-Resident Holder on the Shares will be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada-United States Tax Convention (1980)*, as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15%.

Dispositions of Shares and Warrants

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Share or Warrant unless the Share or Warrant (as applicable) is, or is deemed to be, “taxable Canadian property” of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

If Common shares of the Company are not listed on a “designated stock exchange” for the purposes of the Tax Act at the time of disposition, generally a Share or Warrant in respect of a Share (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60 month period immediately preceding the disposition more than 50% of the fair market value of the Share was derived, directly or indirectly, from, or from any combination of, real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists. As of the date hereof, no shares of the Company are listed on a designated stock exchange.

If Common shares of the Company are listed on a “designated stock exchange” for the purposes of the Tax Act at the time of disposition, generally a Share or Warrant in respect of a Share (as applicable) will not constitute taxable Canadian property of a Non-Resident Holder unless, at any time during the 60 month period immediately preceding the disposition, (i) at least 25% of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to, or any combination of, (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships, and (ii) more than 50% of the fair market value of the Share was derived, directly or indirectly, from or from any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act), or options in respect of, interests in, or for civil law rights in such properties, whether or not such property exists.

A Share or Warrant may be deemed to be “taxable Canadian property” in certain other circumstances. Non-Resident Holders should consult their own tax advisors as to whether their Shares and Warrants constitute “taxable Canadian property”.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Share or Warrant that is taxable Canadian property to that Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention, the consequences described above under the headings “*Holders Resident in Canada — Dispositions of Shares and Warrants*” and “*— Taxation of Capital Gains and Capital Losses*” will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contain a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

In an offering of warrants (including Warrants issuable upon exercise of the Special Warrants), investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of this right of action for damages or consult with a legal advisor.

CONTRACTUAL RIGHT OF RESCISSION

The Company has granted to each holder of a Special Warrant a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Qualified Securities on the exercise or deemed exercise of the Special Warrant as provided for in this prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this prospectus or an amendment to this prospectus containing a misrepresentation,

- (a) the holder is entitled to rescission of both the holder's exercise or deemed exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired,
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Company on the acquisition of the Special Warrant, and
- (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a purchaser of Special Warrants may have at law.

LEGAL MATTERS

We are from time to time involved in legal proceedings of a nature considered normal to our business.

Certain legal matters will be passed upon on behalf of the Company by Borden Ladner Gervais LLP and on behalf of the Agents by DLA Piper (Canada) LLP. The partners and associates of each of Borden Ladner Gervais LLP and DLA Piper (Canada) LLP collectively beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Our auditors are Deloitte LLP, 1055 Dunsmuir St, #2800, Vancouver, BC V7X 1P4.

The transfer agent and registrar for the Common Shares is Odyssey Trust Company at its principal offices in Vancouver, British Columbia.

The warrant agent and special warrant agent for the Warrants and Special Warrants, respectively, is Odyssey Trust Company at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company since the beginning of the last financial year, or before the beginning of the last financial year that are still in effect, which may be regarded as material, are as follows:

- 1. the Agency Agreement;
- 2. the Warrant Indenture; and
- 3. the Board Nomination Agreement

Copies of the material contracts set out above will be available under our profile on SEDAR at <http://www.sedar.com>.

INTERESTS OF EXPERTS

No person or company whose profession or business who is named as having prepared or certified a report, valuation, statement or opinion described or included in the prospectus, or whose profession or business gives authority to a report, valuation, statement or opinion described or included in the prospectus, holds any registered or beneficial

interest, direct or indirect, in any of our securities or other property of our company or one of our associates or affiliates and no such person or company, or a director, officer or employee of such person or company, is expected to be elected, appointed or employed as one of our directors, officers or employees or as a director, officer or employee of any of our associates or affiliates and no such person is one of our promoters or the promoter of one of our associates or affiliates.

Deloitte LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

David Donnan, a director of the Company, resides outside of Canada. David Donnan has appointed the following agent for service of process:

<u>Name of Person or Company</u>	<u>Name and Address of Agent</u>
David Donnan	Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V7X 1T2

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service.

GLOSSARY OF TERMS

“**ACMPR**” means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the *Controlled Drugs and Substances Act* (Canada).

“**Agency Agreement**” means the agency agreement dated July 5, 2018 among the Company, Canaccord Genuity Corp., Mackie Research Capital Corporation and Haywood Securities Inc.

“**Agents**” means the Canaccord Genuity, Mackie Research Capital Corporation and Haywood Securities Inc., collectively.

“**Agents’ Fee**” means a cash fee of 7% of the gross proceeds from the Offering, excluding proceeds received from certain “President’s List” subscribers, and 2.5% of the gross proceeds from the “President’s List” subscribers.

“**Articles**” means the Company’s articles of incorporation, as amended on May 2, 2018.

“**Audit Committee**” means the Audit Committee established by the Board.

“**BCBCA**” means the *British Columbia Business Corporations Act*.

“**Board**” means the board of directors of the Company.

“**Broker Warrants**” means broker warrants upon whose voluntary or deemed exercise, Compensation Warrants are issuable.

“**Canaccord Genuity**” means Canaccord Genuity Corp.

“**cannabis**” has the meaning given to such term in the ACMPR.

“**Cannabis Act**” means Bill C-45 passed by the Government of Canada on June 18, 2018, to amend the *Controlled Drugs and Substances Act* (“**CDSA**”) (which governs the ACMPR), the *Criminal Code* (Canada) and other related legislation to legalize and regulate the use of cannabis for recreational purposes.

“**CBD**” means cannabidiol.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**Code**” means the Company’s Code of Business Conduct and Ethics.

“**Common Shares**” means common shares without par value in the capital of the Company.

“**Company**” means Rubicon Organics Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

“**Compensation Warrants**” means compensation warrants of the Company issuable without payment of any additional consideration upon voluntary exercise prior to, or deemed exercise on, the Deemed Exercise Date of Broker Warrants.

“**Compensation Warrant Share**” means the Common Share issuable upon the exercise of a Compensation Warrant for an exercise price of C\$3.25

“**Concurrent Private Placement**” means the non-brokered private placement of Units, offered concurrently with the Offering, each Unit comprised of one Common Share and one-half of one Warrant for gross proceeds of C\$1,355,972.

“Corporate Finance Fee Shares” means Common Shares issuable without payment of any additional consideration upon the exercise of Corporate Finance Fee Special Warrants.

“Corporate Finance Fee Special Warrants” means corporate finance fee special warrants issued pursuant to the terms of the Special Warrant Indenture and the Agency Agreement.

“CSA” means *Controlled Substances Act*.

“CSE” means the Canadian Securities Exchange.

“DEA” means the United States Drug Enforcement Agency.

“Deemed Exercise Date” means the date that is the earlier of: (i) the fifth business day after the date on which the Final Receipt has been issued; and (ii) November 2, 2018, at which time each Special Warrant and Corporate Finance Fee Special Warrant shall be automatically exercised into one Common Share and one Warrant or one Corporate Finance Fee Share and one Corporate Finance Fee Warrant, respectively, subject to adjustment in certain circumstances, without payment of any additional consideration and without any further action on the part of the holder.

“Deloitte” means Deloitte LLP.

“Delta Facility” means the Company’s wholly-owned 20-acre property in Delta, British Columbia, with an existing 125,000 square-foot greenhouse.

“DOJ” means the United States Department of Justice.

“dried marijuana” has the meaning given to the term “dried marihuana” in the ACMPR.

“Equity Incentive Plan” means the Company’s Equity Incentive Plan.

“FDA” means the *Food and Drug Act* (Canada).

“Final Receipt” means the receipt for the final prospectus of the Company qualifying the distribution of the Qualified Securities issuable on exercise of the Special Warrants has been issued.

“g” means a gram.

“IFRS” means International Financial Reporting Standards.

“IRS” means the Internal Revenue Service.

“IT” means information technology.

“KG Inc.” means Kool Gildea Inc.

“LP” means a licensed producer of cannabis under ACMPR.

“marijuana” has the meaning given to the term “marihuana” in the ACMPR.

“MAUCRSA” means the *Medicinal and Adult-Use Cannabis Regulation and Safety Act* (California).

“MD&A” means Management’s Discussion and Analysis included on page F-89 of this prospectus.

“Named Executive Officers” or **“NEOs”** means the Company’s CEO and CFO and the next three next most highly compensated executive officers of the Company who are currently serving as executive officers, or the three most highly compensated individuals acting in a similar capacity.

“NI 52-109” means National Instrument 52-109 *Certification of Disclosure in Issuer’s Annual and Interim Filings*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NP 46-201**” means National Policy 46-201 – *Escrow for Initial Public Offerings*.

“**Offering**” means the private placement issuance of Special Warrants of the Company on July 5, 2018, at a price of C\$3.25 to purchasers in British Columbia, Alberta, Saskatchewan and Ontario and purchasers in jurisdictions outside of Canada pursuant to prospectus exemptions under applicable securities legislation.

“**Offering Price**” means the price per Special Warrant of C\$3.25.

“**Qualified Securities**” means Common Shares and Warrants issuable for no additional consideration upon the exercise or deemed exercise of the Special Warrants and Corporate Finance Fee Special Warrants, and the Compensation Warrants issuable upon the deemed exercise of the Broker Warrants.

“**Special Warrants**” means 3,658,820 special warrants of the Company automatically exercisable on the Deemed Exercise Date.

“**Qualifying Jurisdictions**” means the Provinces of British Columbia, Alberta, Saskatchewan and Ontario in which the Special Warrants were purchased by subscribers pursuant to private placement exemptions from prospectus requirements.

“**RHI**” means Rubicon Holdings Inc.

“**RHI Audited Financial Statements**” means the audited consolidated financial statements of RHI including: the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity, and the consolidated statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the consolidated statements of financial position as at the end of December 31, 2017 and 2016.

“**RHI Interim Financial Statements**” means the unaudited interim consolidated financial statements of RHI including: the condensed consolidated interim statements of loss and comprehensive loss (unaudited), the condensed consolidated statements of changes in equity (unaudited), and the condensed consolidated interim statements of cash flows (unaudited) for the three months ended March 31, 2018 and the three months ended March 31, 2017, and the condensed consolidated interim statements of financial position (unaudited) as at March 31, 2018 and 2017.

“**ROI Audited Financial Statements**” means the audited consolidated financial statements of the Company including: the statements of income comprehensive income, the statements of changes in equity, and the statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the statements of financial position as at the end of December 31, 2017 and 2016.

“**ROI Interim Financial Statements**” means the unaudited interim consolidated financial statements of the Company including: the condensed interim statements of income and comprehensive income (unaudited), the condensed interim statements of changes in equity (unaudited), and the condensed interim statements of cash flows (unaudited) for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017; and the condensed interim statement of financial position as at June 30, 2018.

“**Rubicon**” means Rubicon Organics Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

“**Special Warrants**” means special warrants of the Company issued pursuant to the Offering.

“**Special Warrant Indenture**” means special warrant indenture issued by the Company pursuant to whose terms the Special Warrants and the Corporate Finance Fee Special Warrants were issued.

“**Tax Code**” means the Internal Revenue Code of 1986.

“**THC**” means tetrahydrocannabinol.

“**U.S.**” means the United States of America.

“**U.S. Persons**” has the meaning given to the term in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means United States Securities Act of 1933, as amended.

“**Vega**” means Vega Ventures LLC.

“**Vintages**” means Vintages Organic Cannabis Company Inc.

“**Warrant Indenture**” means warrant indenture dated July 5, 2018 between the Company and Odyssey Trust Company, as warrant agent thereunder, pursuant to whose terms the Warrants are issued.

“**Warrant Share**” means the Common Shares issued by the Company upon exercise of the Warrants.

“**Warrants**” means the Common Share purchase warrants issued by the Company, exercisable for one Common Share in the capital of the Company at an exercise price of C\$4.20.

“**WSLCB**” means the Washington State Liquor and Cannabis Board.

INDEX TO THE FINANCIAL STATEMENTS

The following financial statements are included in this prospectus:

1.	Audited financial statements of the Company including: the statements of income and comprehensive income, the statements of changes in equity, and the statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the statements of financial position as at the end of December 31, 2017 and 2016;	F-2
2.	Unaudited condensed interim financial statements of the Company including: the condensed interim statements of income and comprehensive income (unaudited), the condensed interim statements of changes in equity (unaudited), and the condensed interim statements of cash flows (unaudited) for the three months and six ended June 30, 2018 and the three and six months ended June 30, 2017; and the condensed interim statements of financial position as at June 30, 2018 and December 31, 2017;	F-18
3.	Audited consolidated financial statements of RHI including: the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity, and the consolidated statements of cash flows for each of the financial years ended December 31, 2017 and 2016; and the consolidated statements of financial position as at the end of December 31, 2017 and 2016;	F-38
4.	Unaudited condensed interim consolidated financial statements of RHI including: the condensed interim consolidated statements of loss and comprehensive loss (unaudited), the condensed consolidated interim statements of changes in equity (unaudited), and the condensed consolidated statements of cash flows (unaudited) for the three months ended March 31, 2018 and the three months ended March 31, 2017; and the condensed interim consolidated statements of financial position (unaudited) as at March 31, 2018; and	F-65
5.	Pro forma consolidated statement of financial position (unaudited) of the Company, as at March 31, 2018, which gives effect to the acquisition of RHI, as if it had taken place as at March 31, 2018; and Pro forma consolidated statement of loss and comprehensive loss (unaudited) of the Company that gives effect to the acquisition of RHI, since January 1, 2017, as if it had taken place on January 1, 2017, for each of the following periods: a. the year ended December 31, 2017; and b. the three months ended March 31, 2018.	F-81
6.	Management's Discussion and Analysis of the Company for the years ended December 31, 2017 and 2016	F-89
7.	Management's Discussion and Analysis of the Company for the three and six months ended June 30, 2018	F-101
8.	Management's Discussion and Analysis of RHI for the years ended December 31, 2017 and 2016	F-120
9.	Management's Discussion and Analysis of RHI for the three months ended March 31, 2018	F-138

Financial Statements
Expressed in US dollars

Rubicon Organics Inc.
(Formerly West Coast Land Corporation)
December 31, 2017 and 2016

Independent Auditor's Report

To the Board of Directors of
Rubicon Organics Inc.

We have audited the accompanying financial statements of Rubicon Organics Inc. (formerly West Coast Land Corporation), which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rubicon Organics Inc. (formerly West Coast Land Corporation) as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Professional Accountants
October 2, 2018
Vancouver, Canada

RUBICON ORGANICS INC.
STATEMENTS OF FINANCIAL POSITION
Expressed in US dollars

	Notes	As at December 31 2017 \$	As at December 31 2016 \$
ASSETS			
Current			
Cash		1,395	1,165,257
Long Term Assets			
Investment in Rubicon Holdings Inc.	7	9,432,772	7,074,580
		9,434,167	8,239,837
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		2,053	124
Long Term Liabilities			
Due to Rubicon Holdings Inc.	9	156,805	1,318,805
		158,858	1,318,929
Shareholders' equity			
Common shares	5	3,258,985	3,258,985
Warrant reserve	6	173,572	173,572
Retained earnings		5,842,752	3,488,351
Total shareholders' equity		9,275,309	6,920,908
		9,434,167	8,239,837

The accompanying notes form an integral part of these financial statements.

On behalf of the Board:

Director

Director

RUBICON ORGANICS INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Expressed in US dollars

	Notes	For the year ended December 31 2017 \$	For the year ended December 31 2016 \$
REVENUE			
Revenue		18	—
Unrealized gains on financial asset at fair value through profit and loss		2,358,193	1,846,610
EXPENSES			
Consulting, salaries and wages		—	(508)
Professional fees		2,182	2,492
General and administrative expenses	13	1,651	5,861
		3,833	7,845
Income from operations		2,354,378	1,838,765
OTHER INCOME			
Realized Exchange Income		23	1,998
Income before tax		2,354,401	1,840,763
Income tax expense	8	—	—
Net income and comprehensive income		2,354,401	1,840,763
Basic and diluted income per share			
		0.50	0.39

The accompanying notes form an integral part of these financial statements.

RUBICON ORGANICS INC.
STATEMENTS OF CHANGES IN EQUITY
Expressed in US dollars

	Number of shares #	Share capital \$	Warrant reserve \$	Retained earnings \$	Total shareholder's equity \$
Balance, January 1, 2016	3,693,220	1,532,912	364,896	1,647,588	3,545,396
Warrants exercised	1,023,166	1,726,073	(191,324)	—	1,534,749
Net income and comprehensive income	—	—	—	1,840,763	1,840,763
Balance, December 31, 2016	4,716,386	3,258,985	173,572	3,488,351	6,920,908
Net income and comprehensive income	—	—	—	2,354,401	2,354,401
Balance, December 31, 2017	4,716,386	3,258,985	173,572	5,842,752	9,275,309

The accompanying notes form an integral part of these financial statements.

RUBICON ORGANICS INC.
STATEMENTS OF CASH FLOWS
Expressed in US dollars

		For the year ended December 31 2017 \$	For the year ended December 31 2016 \$
	Note		
OPERATING ACTIVITIES			
Net income		2,354,401	1,840,763
Adjustments to reconcile net income to net cash used in operating activities:			
Changes in non-cash working capital items	10	1,930	11,795
Adjustment for unrealized gains on financial asset recognised at fair value through profit and loss		(2,358,193)	(1,846,610)
Cash (used in) and provided by operating activities		(1,862)	5,948
INVESTING ACTIVITIES			
Investment in Rubicon Holdings Inc.	7	—	(1,534,749)
Cash used in investing activities		—	(1,534,749)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares	5	—	1,534,749
Repayment to Rubicon Holdings Inc.	9	(1,162,000)	—
Due to Rubicon Holdings Inc.		—	1,150,167
Cash (used in) provided by financing activities		(1,162,000)	2,684,916
(Decrease) increase in cash during the year		(1,163,862)	1,156,115
Cash, beginning of year		1,165,257	9,142
Cash, end of year		1,395	1,165,257

The accompanying notes form an integral part of these financial statements.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

1. NATURE OF OPERATIONS AND GOING CONCERN

Rubicon Organics Inc. (“ROI” or the “Company”) is a British Columbia registered company incorporated on May 15, 2015. On May 22, 2018 the Company changed its name from West Coast Land Corporation to Rubicon Organics Inc. The Company was incorporated as an investor vehicle into Rubicon Holdings Inc, (“Rubicon”) for certain Canadian shareholders and in its first year of incorporation, performed certain management services for Rubicon. The Company’s operations have been funded by investments and through related parties.

The address of the Company’s registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) in effect for the year ended December 31, 2017.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on August 17, 2018.

Basis of measurement

The financial statements have been prepared using the historical cost convention, except for certain financial assets classified as fair value through profit or loss (“FVTPL”) which are measured at fair value with unrealized gains and losses recognized through profit or loss. These financial statements have been prepared using the accrual basis of accounting.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

The functional currency of the Company is the currency of the primary economic environment in which it operates. The functional and presentation currency of the Company’s operations is the United States dollar (“USD”). Once the Company determines the functional currency of an entity it is not changed unless there is a change in the relevant underlying transactions, events and circumstances. Any change in an entity’s functional currency is accounted for prospectively from the date of the change, and monetary assets and liabilities are translated using the exchange rate at that date.

b. Cash

Cash consists of deposits held in banks.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

c. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds. Incremental costs associated to shares issued with attached share purchase warrants are allocated based on the relative fair value of each component of equity.

d. Income taxes

Income tax expense includes current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount to be expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax filings with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e. Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

f. Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: available-for-sale (“AFS”), loans and receivables or at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to the settlement date.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL. AFS financial assets are stated at fair value at the end of each reporting period with changes in fair value recorded in other comprehensive income.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instrument classification

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Investment in Rubicon Holdings Inc.	Fair value through profit or loss
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Due to Rubicon Holdings Inc.	Other liabilities

The fair values of amounts due from related parties, accounts payable and accrued liabilities, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to level 1 inputs such as quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using level 2 inputs, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models.

g. Investments

Investments in other entities are recorded at fair value less any impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Any reduction in the carrying amount is charged immediately to the statement of loss and comprehensive loss.

On disposal of an investment, the difference between the carrying amount and net disposal proceeds is charged to the statement of loss and comprehensive loss.

The Company's investment in Rubicon Holdings Inc. ("Rubicon") is valued using level 3 inputs based on the value of Rubicon's shares at the latest financing round.

h. New standards, amendments and interpretations

During the year ended December 31, 2017, amendments to IAS 7 and IAS 12 came into effect. These amendments did not have a significant impact on the Company's financial reporting.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management anticipates that all the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

IFRS 9 – Financial Instruments ("IFRS 9")

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Under IFRS 9 the Company is required to value its investment in Rubicon at fair value in accordance with IFRS 13 which is in line with the Company's current valuation method, therefore there are no changes expected other than additional disclosure.

IFRS 2 – Share-based payments ("IFRS 2")

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The company has preliminary determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

Valuation of share-based transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

5. SHARE CAPITAL

a. Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

b. Issued and fully paid

At December 31, 2017, there were 4,716,386 (2016 – 4,716,386) issued and fully paid common shares.

The company has the following common shares outstanding:

Common Share		Voting rights	Price	Outstanding shares	\$
Class A	Founders shares	Voting	Nominal	1,741,820	—
Class B	2015 financing	Voting	\$1.00	1,951,400	\$1,951,400
Class B	2016 warrant exercise	Voting	\$1.50	1,023,166	\$1,534,749
				<u>4,716,386</u>	<u>\$3,486,149</u>

In 2015, the Company completed a private placement of 1,951,400 Units at \$1.00 per Unit for gross proceeds of \$1,951,400 (the “2015 Private Placement”). Each Unit contained one common share and one common share purchase warrant. Each full common share purchase warrant was exercisable into one common share of the Company at an exercise price of \$1.50 per warrant until July 1, 2016. In 2016, the warrant exercise was extended until December 31, 2016. In 2016 1,023,166 common share purchase warrants were exercised and 928,234 expired.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

6. RESERVES

	Warrants #	Weighted Average Exercise Price \$	Expiry Date
Balance, January 1, 2016	1,951,400	—	—
Exercised	(1,023,166)	\$1.50	December 31, 2016
Expired	(928,234)	\$1.50	December 31, 2016
Balance, December 31, 2016	—	—	—
Balance, December 31, 2017	—	—	—

7. INVESTMENT IN RUBICON HOLDINGS INC.

	Common shares #	Fair Value \$
December 31, 2016	4,716,386	7,074,580
December 31, 2017	4,716,386	9,432,772

The Company was incorporated for the sole purpose of investing in Rubicon, as described in note 1. On inception in 2015 the Company issued 1,741,820 founders shares for nominal value and thereafter subscribed for and received 1,741,820 common shares in Rubicon at nominal value.

In 2015, the Company completed the 2015 Private Placement and immediately on closing subscribed for and was issued 1,951,400 units of Rubicon for \$1.00 comprising one common share and one common share purchase warrant exercisable until July 1, 2016 at a price of \$1.50.

In 2016, Rubicon the common share purchase warrants were extended until December 31, 2016. In 2016, the Company's existing shareholders exercised 1,023,166 common share purchase warrants for gross proceeds of \$1,534,749. Immediately thereafter, the Company exercised 1,023,166 common share purchase warrants in Rubicon for \$1,534,749.

As at December 31, 2017 the Company held 4,716,386 common shares in Rubicon (2016 – 4,716,386). As at December 31, 2017, the shares in Rubicon were valued at \$2.00 per common share (2016 - \$1.50).

8. INCOME TAXES AND DEFERRED INCOME TAX

a. Deferred income taxes

As at December 31, 2017, the deferred tax assets are not recognized on the following temporary differences as it is not probable that sufficient taxable profits will be available to utilize such assets:

	2017 \$	2016 \$
Tax loss carryforwards	103,411	99,619

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

103,411	99,619
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As of December 31, 2017, the Company has Canadian loss carry forwards of \$103,411 (2016 - \$99,619) available to reduce future years' taxable income. The tax loss carry-forward will begin to expire in 2035.

b. Income tax expense

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the combined federal and state/provincial statutory income tax rates as follows:

	2017 \$	2016 \$
Net income and comprehensive income	2,354,401	1,840,763
Less unrealized income	(2,358,193)	(1,846,610)
Loss for the year	(3,792)	(5,847)
Current statutory income tax rate	26%	26%
Expected income tax expense based on statutory rate	(986)	1,520
Tax losses not recognized in the period that the benefit arose	986	(1,520)
	—	—

9. RELATED PARTY RELATIONSHIPS

Rubicon paid expenditures on behalf of the Company and was owed \$156,805 (2016 - \$154,305) at year end. In 2016 ROI held \$1,164,500 in trust for Rubicon as part of the December 2016 warrant exercise. The funds were transferred to the Company in January 2017.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Change in working capital items:

	2017 \$	2016 \$
Prepaid Expenses	-	3,218
Accounts Payable and Accrued Liabilities	1,930	8,577
	1,930	11,795

11. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its' cash with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional shares to ensure that there is cash available for its programs.

All current financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash or related parties.

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments; Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as Level 1 financial instruments. The Company's investment in Rubicon is classified as a Level 3 financial instrument. During the year, there were no transfers of amounts between levels.

12. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings and related party credit to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's circumstances during the year ended December 31, 2017.

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	\$	\$
Interest and bank charges	1,651	3,602
Marketing	-	1,915
Office	-	344
	1,651	5,861

14. SUBSEQUENT EVENTS

- a) The Company and Rubicon undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for the contemplated public listing:
- On April 19, 2018, the Company incorporated West Coast Property Holdings Inc. and on May 11, 2018 purchased three LLC companies from Rubicon for \$9,267,962; the California land asset, Washington greenhouse assets and leased Washington extraction facility and equipment. The Company issued a note payable to Rubicon as consideration for the transaction.
 - On May 15, 2018, the Company entered into a share exchange transaction (the “Share Exchange”) with Rubicon whereby each shareholder of Rubicon, other than the Company, exchanged its common shares in Rubicon on a 1:1 basis with the common shares of the Company. After consummation of the Share Exchange, the Company is the sole shareholder of Rubicon.
 - On May 30, 2018, in connection with the Share Exchange, all former option holders of Rubicon exchanged their options on a 1:1 basis for new options in the Company, on substantially similar terms to their original options in Rubicon.
 - On May 31, 2018, the Rubicon transferred directly or indirectly Bridge View Greenhouses Ltd., 1113603 B.C Ltd., Vintages Organic Cannabis Company Inc, and West Coast Marketing Corporation (“Canadian Subsidiaries”) to the Company.
- b) In May 2018, a director of the Company provided a \$500,000 revolving credit line to the Company at a rate of 10% to be repaid on completion of the next equity financing, or by September 30, 2018. The Company drew down \$400,000 of this facility and it was repaid in July 2018.
- c) In June 2018, two executive officers and directors of the Company each provided CDN\$400,000 revolving credit line to the Company at a rate of 10% to be repaid on completion of the next equity financing or by September 30, 2018. The Company drew down CDN\$100,000 from one facility and CDN\$400,000 from the other facility. Both parties were fully repaid in July 2018.
- d) On July 5, 2018, the Company completed a brokered private placement offering of special warrants for aggregate gross proceeds of CDN\$11,816,168. Each special warrant is exercisable, for no additional consideration and with no further action on the part of the holder, into units of the Company. Each unit

RUBICON ORGANICS INC.
NOTES TO THE FINANCIAL STATEMENTS

Expressed in US dollars

For the years ended December 31, 2017 and 2016

will consist of one common share of the Company and one-half of one common share purchase warrant.

- e) Each whole warrant will entitle the holder to purchase one common share at an exercise price of \$4.20 per common share until July 5, 2020, subject to adjustment in certain events. The Company paid total fees of CDN\$835,459, including agent fees, agent's counsel fees, and similar other disbursements.
- f) Concurrent with the above Offering, the Company has also completed a non-brokered private placement of a further 417,222 units of the Company (each comprised of one Common Share and one-half of one Warrant) at CDN\$3.25 per unit for gross proceeds of approximately CDN\$1.4 million.
- g) On July 31, 2018, the Company issued an aggregate of 2,432,500 stock options to directors, employees, consultants and service providers. The options are exercisable at CDN\$3.25 per share for a period of five years expiring on July 31, 2023, pursuant to the terms of the stock option plan.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options expected to be exercised. Comparative companies were used to determine the historical volatility of the Company. The fair value of the 2,432,500 options granted was estimated at \$4,808,099. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 128.3%; a risk-free interest rate of 2.85%; and zero expected dividend yield.

The Company also issued 50,000 restricted share units to a consultant.

Condensed Interim Financial Statements (Unaudited)
Expressed in US dollars

Rubicon Organics Inc.
(Formerly West Coast Land Corporation)
For the Three and Six Months Ended June 30, 2018

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
Expressed in US dollars

	Notes	As at June 30 2018 \$	As at December 31 2017 \$
ASSETS			
Current			
Cash		3,013,064	2,328,458
Accounts receivable		387,544	30,219
Inventory	6	285,297	189,271
Other assets		271,143	70,341
		3,957,048	2,618,289
Non-Current			
Property, plant and equipment	7	15,780,258	13,009,007
Intangible asset	8	1,528,944	1,499,999
Due from related parties	13	—	244,580
Investment	9	100,000	100,000
Goodwill	5	469,000	
		21,835,250	17,471,875
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		3,022,440	1,610,696
Due to related parties	13	976,525	107,717
Mortgage payable	10	77,988	—
Corporate tax payable		59,312	59,312
		4,136,265	1,777,725
Non-Current			
Mortgage payable	10	2,194,489	2,391,391
Shareholders' equity			
Share capital	11	35,209,129	19,875,977
Reserves	12	3,041,836	2,832,267
Share Subscriptions	18	3,127,350	—
Accumulated deficit		(25,854,020)	(9,382,259)
Accumulated other comprehensive income (loss)		(19,799)	(23,226)
Total shareholders' equity		15,504,496	13,302,759
		21,835,250	17,471,875

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited).

On behalf of the Board:

Director

Director

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)
Expressed in US dollars

	Notes	For the three months ended June 30 2018	June 30 2017	For the six months ended June 30 2018	June 30 2017
		\$	\$	\$	\$
REVENUE					
Sales		522,743	146,642	931,344	287,550
Cost of sales	6	398,255	144,179	701,335	279,926
Loss on inventory write-off	6	12,094	—	116,725	—
Gross profit		112,394	2,463	113,284	7,624
EXPENSES					
Consulting, salaries and wages		575,587	480,389	1,242,955	809,970
Share-based compensation	12	80,355	437,302	209,571	731,571
General and administrative expenses		370,050	182,690	785,521	270,725
Sales and marketing expense		142,587	82,319	490,458	157,001
Professional fees		607,765	80,385	824,839	130,082
Depreciation	7	33,462	32,287	64,590	58,580
Amortization of intangibles	8	57,889	—	96,481	—
		1,867,695	1,295,372	3,714,415	2,157,929
Loss from operations		(1,755,301)	(1,292,909)	(3,601,131)	(2,150,305)
OTHER EXPENSE					
Interest on loans	10	25,315	—	50,619	—
Interest on capital lease obligation		—	2,146	—	7,912
Realized foreign exchange		115,380	(1,047)	125,186	3,861
Impairment of land	7	580,750	—	580,750	—
Reverse takeover costs	4	12,114,075	—	12,114,075	—
		12,835,520	1,099	12,870,630	11,773
Loss before income tax		(14,590,821)	(1,294,008)	(16,471,761)	(2,162,078)
Income tax expense		—	3,719	—	3,719
Net loss		(14,590,821)	(1,297,727)	(16,471,761)	(2,165,797)
Other comprehensive loss					
Items that may be reclassified subsequently to profit or loss					
Exchange rate differences on translation of foreign operations		44,767	—	3,427	—
Total comprehensive loss		(14,546,054)	(1,297,727)	(16,468,334)	(2,165,797)
Basic and diluted loss per share					
		(0.44)	(0.04)	(0.50)	(0.07)

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited)

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
Expressed in US dollars

	Notes	Number of shares #	Share capital \$	Share subscriptions	Warrant Reserve \$	Share-based reserves \$	Reserves \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total Shareholders' equity \$
Balance, January 1, 2017		26,463,178	11,777,430	—	867,205	1,249,211	2,116,416	—	(4,907,498)	8,986,348
Restricted share award conversion	12	97,333	146,000	—	—	—	—	—	—	146,000
Share based compensation expense		—	—	—	—	585,571	585,571	—	—	585,571
Share issuances - - Vintages acquisition	11	999,999	1,499,999	—	—	—	—	—	—	1,499,999
Net loss		—	—	—	—	—	—	—	(2,165,797)	(2,165,797)
Other comprehensive income		—	—	—	—	—	—	—	—	—
Balance, June 30, 2017		27,560,510	13,423,429	—	867,205	1,834,782	2,701,987	—	(7,073,295)	9,052,121
Share issuance – Financing (net of financing costs)	11	3,429,855	6,438,548	—	—	—	—	—	—	6,438,548
Options exercised	12	10,000	14,000	—	—	—	—	—	—	14,000
Share based compensation expense		—	—	—	—	130,280	130,280	—	—	130,280
Net loss		—	—	—	—	—	—	—	(2,308,964)	(2,308,964)
Other comprehensive income		—	—	—	—	—	—	(23,226)	—	(23,226)
Balance, December 31, 2017		31,000,365	19,875,977	—	867,205	1,965,062	2,832,267	(23,226)	(9,382,259)	13,302,759
Share issuance – Financing (net of financing costs)	11	1,435,017	2,789,198	—	—	—	—	—	—	2,789,198
Shares for agreement with KG Inc.	11	300,000	600,000	—	—	—	—	—	—	600,000
Share subscriptions received	18	—	—	3,127,350	—	—	—	—	—	3,127,350
Deemed equity consideration of RTO	4,11	—	11,943,954	—	—	—	—	—	—	11,943,954
Share based compensation expense	12	—	—	—	—	209,569	209,569	—	—	209,569
Net loss		—	—	—	—	—	—	—	(16,471,761)	(16,471,761)
Other comprehensive income		—	—	—	—	—	—	3,427	—	3,427
Balance, June 30, 2018		32,735,382	35,209,129	3,127,350	867,205	2,174,631	3,041,836	(19,799)	(25,854,020)	15,504,496

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited)

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
Expressed in US dollars

	Note	For the six months ended June 30, 2018 \$	For the six months ended June 30, 2017 \$
OPERATING ACTIVITIES			
Net loss		(16,471,761)	(2,165,797)
Adjustments to reconcile net loss to net cash used in operating activities			
Share based compensation	12	209,569	585,571
Depreciation	7	92,998	58,580
Amortization of intangible asset	8	96,481	—
Unrealized foreign exchange gain/loss		3,239	—
Impairment of land	7	580,750	—
Inventory write-down	6	116,725	—
Reverse takeover costs	4	11,943,954	—
Changes in non-cash working capital items	14	476,360	(447,194)
Cash used in operating activities		(2,951,685)	(1,968,840)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(3,095,858)	(1,905,148)
Cash acquired from acquisitions	5	12,108	—
Cash acquired from reverse takeover	4	1,737	—
Investments	9	—	(100,000)
Payments on capital lease obligations		—	(37,208)
Cash used in investing activities		(3,082,013)	(2,042,356)
FINANCING ACTIVITIES			
Proceeds from share issuances (net of financing costs)	11	2,704,198	1,645,999
Proceeds from directors' loans	13	868,808	—
Share subscriptions received	18	3,127,350	—
Repayments from related parties		—	(9,116)
Cash provided by financing activities		6,700,356	1,636,883
Effect of exchange rate changes on cash		17,948	—
Increase (decrease) in cash during the period		684,606	(2,374,313)
Cash, beginning of period		2,328,458	2,704,814
Cash, end of period		3,013,064	330,501

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

1. NATURE OF OPERATIONS

Rubicon Organics Inc. (“ROI”) is a British Columbia registered company incorporated on May 15, 2015. On May 22, 2018 ROI changed its name from West Coast Land Corporation to Rubicon Organics Inc. ROI was incorporated as an investor vehicle into Rubicon Holdings, Inc. (“RHI”) for certain Canadian shareholders and in its first year of incorporation, performed certain management services for RHI.

During April and May 2018, ROI and RHI undertook a re-organization (the “Re-Organization”) whereby pursuant to a share exchange, RHI undertook a reverse takeover of ROI.

As part of the Re-Organization, on May 15, 2018, ROI entered into a share exchange transaction (the “Share Exchange”) with RHI whereby each shareholder of RHI, other than ROI, exchanged its common shares in RHI on a 1:1 basis for common shares of ROI. Furthermore, on May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in RHI (note 4). The group of companies with ROI as the parent of all consolidated subsidiaries identified in note 2 is collectively known as “the Company”.

The Company’s business plan is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in the Washington and California and is planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

The address of the Company’s registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2.

2. BASIS OF PREPARATION**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2017, other than disclosed in note 3. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on September 24, 2018.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

*Expressed in US dollars***Basis of consolidation**

These condensed consolidated interim financial statements include the condensed interim financial statements of ROI and its controlled subsidiaries. Control exists when ROI has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The condensed interim financial statements of each subsidiary are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the period are included in the condensed consolidated interim statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

Effective May 15, 2018 as a result of the reverse takeover transaction (“RTO”) (note 4), RHI was considered the continuing entity for accounting purposes. The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. ROI's subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings, Inc.	WA, United States	100%
West Coast Property Holdings, Inc.	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Rubicon California LLC	CA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Red Dog Operations, Inc.	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%
Kool Gildea, Inc ⁽²⁾	CA, United States	0%

- (1) The Company controls a licensed cannabis company, Vega Ventures LLC (“Vega”), in Washington state by way of a contractual agreement. Vega is fully consolidated in these condensed consolidated interim financial statements in accordance with IFRS 10.
- (2) On January 30, 2018, an agreement (the “Agreement”) was executed between the Company and Kool Gildea, Inc (“KG Inc.”), a California non-profit mutual benefit corporation granting the Company the power to direct relevant activities of KG Inc., in particular the appointment and removal of governing members. As a result of this control, KG Inc. is consolidated in these condensed consolidated financial statements in accordance with IFRS 10.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

3. CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS

During the three and six months ended June 30, 2018 the following standards came into effect:

- IFRS 9 – Financial Instruments (“IFRS 9”)

The Company has adopted IFRS 9 effective January 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value.

The Company will continue to hold all loans and other liabilities at amortized cost and cash and investments at fair value through profit or loss. However, the Company will no longer be able to apply the cost exception for certain investments previously permitted under IAS 39. The Company has elected not to restate prior period numbers.

	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9
Accounts	Loans and	Amortized	Amortized cost
Accounts payable	Other financial	Amortized	Amortized cost
Investments	Other financial	Available for	Fair value through profit or

The Company’s investment in Thirty Three Health is held at fair value using level 3 inputs under IFRS 13. Management has performed an assessment of this change in policy and determined there is no financial impact on the Company’s financial statements for the three and six months ended June 30, 2018 in respect of IFRS 9.

- IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

The Company has adopted IFRS 15 effective January 1, 2018, and replaces IAS 18, Revenue. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized. Management has applied the five-step analysis to all revenue contracts and determined that there is no change to the amount or timing of revenue recognized during the period.

The Company has elected to apply the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. With no change to the amount or timing of revenue recognized, no adjustment is required under this approach.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

The Company disaggregates revenue from contracts with customers according to the geographic location of the revenue. This is presented in Note 17 Segment Information.

- IFRS 2 – *Share-based payments* (“**IFRS 2**”)

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes.

The standard requires entities to recognise all share-based payment awards in the financial statements based on fair value when the goods and services are received, which is determined at the grant date for share-based payments issued to employees. The Company does not have any cash-settled share-based payment transactions, nor share-based payment transactions with cash alternatives. For equity-settled awards, the Company measures the fair value of goods or services received and recognises a corresponding increase in equity. If the Company cannot reliably estimate the fair value of the goods or services received, the Company must measure its fair value indirectly using the fair value of the equity instruments granted.

This new standard does not bring about any changes to the financial position or performance of the Company other than additional disclosure.

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

- IFRS 16 – *Leases* (“**IFRS 16**”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The impact on the Company’s condensed consolidated interim financial statements of adopting this standard has not yet been determined.

4. REVERSE TAKEOVER

As part of the Re-Organization on May 15, 2018, ROI entered into a share exchange transaction (the “Share Exchange”) with RHI whereby each shareholder of RHI, other than ROI, exchanged its common shares in RHI on a 1:1 basis with the common shares of ROI. Furthermore, on May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in RHI.

After the Re-Organization, the former shareholders of RHI own all of the common shares in ROI. Consequently, the Re-Organization has been accounted for as an RTO and the condensed consolidated interim financial statements of ROI present the historical results, assets and liabilities of the Company on the consummation of the reverse take over as if RHI was the acquirer.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

The value of net identifiable assets of ROI (legal parent) acquired by RHI (legal subsidiary) is as follows:

At May 15, 2018	\$
Cash	1,737
Accounts payable and accrued liabilities	(12,824)
	<u>(11,087)</u>

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all the goods or services received in return. In accordance with IFRS 2, the amount assigned to the reserve acquisition transaction costs in these condensed consolidated interim financial statements of operations and comprehensive loss is \$12,114,075, being the difference between the estimated fair value of ROI shares prior to the RTO and the fair value of the net assets acquired plus transaction costs. The fair value of the 4,732,011 outstanding ROI common shares prior to the RTO of C\$3.25 per common share is determined based on the share price of the Company's private placement in July 2018.

	At May 15, 2018
Fair value of shares of ROI	11,943,954
Less: fair value of net assets acquired of ROI	<u>(11,087)</u>
Subtotal before transaction costs	11,955,041
RTO transaction costs:	
Professional fees	170,000
Forgiveness of intercompany debt to ROI	<u>(10,966)</u>
Total RTO costs	<u>12,114,075</u>

5. BUSINESS ACQUISITIONS

On January 30, 2018, the Company entered into an agreement to obtain the right to control KG Inc. an entity with licensing associated with the Company's California land development site with associated municipal permits. (the "KG Inc. Purchase"). In consideration of control of this entity the Company issued 300,000 common shares of the Company at a price of \$2.00 per common share and paid \$20,000 cash. The \$20,000 cash was paid in 2017.

The following table summarizes the balance sheet impact on the acquisition date of the Company's business acquisition that occurred during the period ended June 30, 2018:

	Preliminary Assessment as at January 30, 2018 as previously reported¹	Adjustments²	Estimated fair value as at June 30, 2018
	\$	\$	\$
Cash	12,108	—	12,108
Accounts receivable	5,508	—	5,508
Inventory	142,536	—	142,536
Intangible asset	594,426	(469,000)	125,426
Goodwill	—	469,000	469,000
Total assets	754,578	—	754,578

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

Accounts payable	47,223	—	47,223
Total liabilities	47,223	—	47,223

¹ As previously reported in the Company's first quarter condensed consolidated interim financial statements.² The Company recorded adjustments to the preliminary fair value in the second quarter of 2018 to reflect facts and circumstances in existence as at the date of acquisition. These changes related to the value assigned to the intangible asset. The adjustment was offset against goodwill.**6. INVENTORY**

	June 30, 2018 \$	December 31, 2017 \$
Cannabis inventory	188,746	152,756
Packaging supplies and consumables	96,551	36,515
	<u>285,297</u>	<u>189,271</u>

Cannabis inventory contains both bulk and packaged goods. During the three and six months ended June 30, 2018, cannabis and packaging inventory recognized as an expense in cost of sales amounted to \$120,095 and \$216,658 (June 30, 2017 - \$107,587 and \$213,783).

During the three and six months ended June 30, 2018, \$12,094 and \$116,725 (June 30, 2017 – nil) of inventory was written off to reduce inventory items due to moisture loss or items the Company does not expect to use or sell to net realizable value.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and leasehold improvements \$	Equipment and vehicles \$	Land \$	Construction in progress \$	Total \$
At January 1, 2017	91,354	470,525	2,632,228	2,025,816	5,219,923
Additions	222,372	343,618	3,672,839	3,727,579	7,966,408
Foreign exchange	—	—	—	—	—
At December 31, 2017	313,726	814,143	6,305,067	5,753,395	13,186,331
Additions	—	127,564	27,100	3,504,129	3,658,793
Impairment on land	—	—	(580,750)	—	(580,750)
Foreign exchange	(10,331)	(9,232)	(77,959)	(117,139)	(214,661)
At June 30, 2018	303,395	932,475	5,673,458	9,140,385	16,049,713

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

Accumulated depreciation	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At January 1, 2017	17,034	25,075	—	—	42,109
Depreciation	45,677	89,539	—	—	135,216
At December 31, 2017	62,711	114,614	—	—	177,325
Depreciation	26,441	66,558	—	—	92,998
Foreign exchange	—	(869)	—	—	(868)
At June 30, 2018	89,152	180,303	—	—	269,455

Net book value	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At December 31, 2017	251,015	699,530	6,305,067	5,753,395	13,009,007
At June 30, 2018	214,243	752,172	5,673,458	9,140,385	15,780,258

For the three and six months ended June 30, 2018, depreciation of \$14,204 and \$14,204 was allocated to cost of goods sold during the year (June 30, 2017 – nil).

During the three and six months ended June 30, 2018, a third-party appraisal of the California land asset was obtained for tax purposes, resulting in a fair-value assessment of \$600,000. An impairment loss of \$580,750 was recognized during the period. The impairment reflects a reduction in land prices in Greenfield as more municipalities have allowed for cannabis activities.

8. INTANGIBLE ASSETS

Cost	Health Canada License Application	California Distribution License	Total
	\$	\$	\$
At January 1, 2017	—	—	—
Additions	1,499,999	—	1,499,999
At December 31, 2017	1,499,999	—	1,499,999
Additions (note 5)	—	125,426	125,426
Amortization	—	(96,481)	(96,481)
At June 30, 2018	1,499,999	28,945	1,528,944

In 2017, 1113603 B.C Ltd, acquired all of the outstanding common shares of Vintages Organic Cannabis Company Inc. (“Vintages”) from related parties in exchange for C\$3.00 and 999,999 common shares of the Company. Management determined that it was appropriate to value the consideration at \$1,499,999, representing 999,999 common shares of the Company at \$1.50. As the only identifiable asset held by Vintages at the date of acquisition was the Health Canada license application, the application was valued at the amount of the consideration. This license application has no expiry.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

On January 30, 2018, as part of the KG Inc. purchase, the Company obtained a temporary state distribution license issued by the Bureau of Cannabis Control in California. This intangible asset was valued at the present value of the future cash flows up until the license expiry of August 15, 2018.

9. INVESTMENT

In 2017, the Company entered into a simple agreement for future equity ("SAFE") with Thirty Three Health. The investment was valued at \$100,000 which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health's capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of the SAFE, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

This investment is carried at its fair value under IFRS 9 using level 3 inputs permitted under IFRS 13. As at June 30, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

10. MORTGAGE

As at June 30, 2018 the Company had mortgage payable of C\$2,992,398. The floating interest rate is 4.2% with a term of 5 years starting in October 2017, and a 20-year amortization period. Total interest paid for the three and six months was C\$33,342 and C\$64,969 (2017 – nil).

The Company received an 8-month principle payment holiday and did not start paying principle until June 2018.

	Principle Repaid C\$	Total C\$
Balance, December 31, 2017	—	3,000,000
Payments	7,602	7,602
Balance, June 30, 2018	7,602	2,992,398

Total long-term debt and interest payments are as follows:

	C\$
Less than 1 year	226,018
1-3 years	676,621
4-5 years	451,080
After 5 years	2,988,408

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

11. SHARE CAPITAL**(a) Authorized**

The Company is authorized to issue an unlimited number of common shares with no par value.

(b) Issued and fully paid

At June 30, 2018, there were 32,735,382 (2017 – 31,000,365) issued and fully paid common shares outstanding.

Common share	Outstanding shares #	Value \$
January 1, 2018 (net of finance costs)	31,000,365	19,875,977
Financing (net of financing costs)	1,372,517	2,689,198
Shares issued for acquisition – KG Inc.	300,000	600,000
Super participation exercise	62,500	100,000
Reverse takeover	—	11,943,954
June 30, 2018	32,735,382	35,209,129

On January 25, 2018, 1,372,517 common shares were issued as part of the 2017 financing for total proceeds of \$2,745,034. Financing costs associated with this issuance totaled \$55,836.

On January 30, 2018, the Company issued 300,000 common shares with respect to the KG Inc. Purchase (note 5).

On February 13, 2018, 62,500 common shares were issued at the Super Subscription Right (“SSR”) price of \$1.60 per common share to existing shareholders issuable under the Company’s investor rights agreement. These shares were settled against accounts payable owed to a related party for total proceeds of \$100,000.

On May 15, 2018, the Company completed the RTO with a deemed equity consideration of \$11,943,954 representing the fair value of the 4,732,011 outstanding ROI common shares exchanged in the RTO.

12. RESERVES**(a) Options**

Under the Company’s equity incentive plan (the “Plan”), the Board of Directors may grant stock options and restricted share awards (“Equity Awards”) pursuant and subject to the terms and conditions of the Plan to provide eligible directors, officers, employees, and consultants of the Company and any of its subsidiaries with the opportunity to acquire an ownership interest in the Company and is the basis for the Company’s long-term incentive scheme.

The Plan provides for the issuance of Equity Awards that shall not at any time exceed 20% of the total number of issued and outstanding fully diluted common shares of the Company at the date of grant of the Equity Awards. The exercise price of each option is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Vesting terms vary from immediately to over three years, or in one case, are based on valuation. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

The Company has granted the following options to purchase common shares under the Plan as follows:

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

	June 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, start of period	2,364,000	1.15	2,009,000	1.00
Granted	52,000	2.00	590,000	1.50
Exercised	—	—	(20,000)	1.00
Forfeited	—	—	(195,000)	1.63
Balance, end of period	2,416,000	1.17	2,384,000	1.15

The following table provides information on stock options outstanding and exercisable at June 30, 2018:

Grant Date	Exercise Price	Options outstanding		Options exercisable	
		Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
December 17, 2015	\$1.00	1,375,000	2.47	1,375,000	2.47
March 21, 2016	\$1.00	24,000	2.73	24,000	2.73
June 30, 2016	\$1.00	90,000	3.00	90,000	3.00
August 17, 2016	\$1.00	500,000	3.13	—	—
January 12, 2017	\$1.50	80,000	3.54	65,000	3.54
July 31, 2017	\$2.00	290,000	4.09	200,000	4.09
November 15, 2017	\$2.00	5,000	4.38	—	—
January 21, 2018	\$2.00	52,000	4.56	—	—
		2,416,000	2.88	1,754,000	2.72

The fair value of the options containing service vesting conditions were determined using the Black-Scholes options pricing model, using the following assumptions:

	2018	2017
Grant date share price	\$2.00	\$1.50-\$2.00
Risk-free interest rate	1.95%	1.87%-2.04%
Expected life of options	5 years	5 years
Expected annualized volatility	130.2%	136%-137%
Black-Scholes value of each option	\$1.48	\$1.21-\$1.59

During the three and six months ended June 30, 2018, the Company recognized \$64,810 and \$178,654 (June 30, 2017 - \$37,573 and \$183,109) in stock-based compensation expense pertaining to option awards. The remaining share-based awards expense is made up of Restricted Stock Awards ("RSAs") totaling \$15,373 and \$30,915 (June 30, 2017 - \$82,316 and \$163,727).

(b) Restricted Stock Awards

- (i) On January 12, 2017, the Company awarded 5,000 and 39,000 RSAs to a vendor for services rendered. The vendor is owned by a previously contracted executive of the Company. These RSAs vested immediately.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

- (ii) On April 12, 2017, the Company awarded 53,333 RSAs to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.

13. RELATED PARTY TRANSACTIONS**(a) Related party transactions**

In May 2018, a director of the Company provided a \$500,000 revolving credit line to the Company at a rate of 10% to be repaid on the earlier of the completion of the next equity financing or September 30, 2018. The Company drew down \$400,000 of this facility and it was fully repaid in July 2018. Total interest owing to the director at June 30, 2018 was \$3,397.

In June 2018, two executive officers of the Company provided C\$800,000 revolving credit lines to the Company at a rate of 10% to be repaid on the earlier of completion of the next equity financing or September 30, 2018. The Company drew down C\$500,000 from the facility. The officers were fully repaid in July 2018. Total interest owing to both executives at June 30, 2018 was \$1,687.

As at June 30, 2018, \$188,115 (December 31, 2017 - \$107,717) was owed to officers of the Company for goods purchased on behalf of the Company.

Non-current related party balances at December 31, 2017 related to amounts owing from ROI (\$157,224) and KG Inc. (\$87,355) both of which are eliminated in the consolidation as at June 30, 2018.

(b) Compensation of key management personnel

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

	June 30, 2018	June 30, 2017
	\$	\$
Salaries	215,000	215,000
Share based compensation	76,393	172,553
	<u>291,393</u>	<u>387,553</u>

14. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

	June 30, 2018	June 30, 2017
	\$	\$
Accounts receivable	(351,818)	117,823
Inventory	(70,212)	(59,351)
Other assets	(220,802)	(76,711)
Due from related parties	168,311	(318,849)
Accounts payable and accrued liabilities	787,893	(110,106)
Current portion of mortgage payable	77,988	—

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

Shares issued for consulting services	85,000	—
	<u>476,360</u>	<u>(447,194)</u>

Supplemental disclosure of non-cash activities:

- (i) As at June 30, 2018, accounts payable includes \$1,668,214 (December 31, 2017 - \$1,104,410) of capital asset additions.
- (ii) All items were adjusted for the working capital acquired from the KG Inc. transaction.

15. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash and accounts receivable. The carrying amount of this asset included on the condensed consolidated interim statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high credit worthiness.

Institution	\$				
National banks	2,960,864				
Money management service	52,200				
	Total	0-30 Days	31- 60 Days	61- 90 Days	90 + Days
Accounts Receivables	243,750	146,162	230	23,894	73,464

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable, accrued liabilities, taxation payable, the current portion of the mortgage payable and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

*Expressed in US dollars***Interest rate risk**

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments. A 1% change in interest rate would result in a Canadian ("C\$") \$30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the three and six months ended June 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in C\$:

	June 30, 2018	June 30, 2017
Cash	3,866,103	37,621
Accounts payable and accrued liabilities	(189,009)	(62,099)
C\$	3,677,094	C\$ (24,478)

For the three and six months ended June 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

	June 30, 2017	June 30, 2017
Cash	—	—
Accounts payable and accrued liabilities	(38,126)	(86,872)
EUR	(38,126)	EUR (86,872)

A 10% change of the C\$ against the United States Dollars at June 30, 2018 would have increased net loss by \$253,859 (June 30, 2017: \$1,715) or decreased net loss by \$310,272 (June 30, 2017: \$2,096). A 10% change of the EUR against the USD at June 30, 2018 would have increased the net loss by \$2,184 (June 30, 2017: \$5,331) or decreased net loss by \$2,670 (June 30, 2017: \$6,516).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments; Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, the mortgage, due from related party, and accounts payable and accrued liabilities are classified as Level 2 financial instruments and are carried at amortized costs.

The Company's investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument. As at June 30, 2018, the SAFE was valued at \$100,000 (December 31, 2017 - \$100,000).

There were no transfers within the fair value hierarchy during the three and six months ended June 30, 2018.

16. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the three and six months ended June 30, 2018.

17. SEGMENT INFORMATION

The Company has four operating segments. Balances by operating segment are displayed below:

As at and for the six months ended June 30, 2018

	Canada	Washington	California	Corporate	Total
Sales	7,219	512,412	279,050	132,663	931,344
Expenses	(306,351)	(1,515,995)	(1,022,932)	(14,557,827)	(17,403,105)
Net loss	(299,132)	(1,003,583)	(743,822)	(14,425,163)	(16,471,761)
Assets	7,663,668	9,460,728	1,363,135	3,347,719	21,835,250
Liabilities	(3,413,145)	(882,292)	(94,228)	(1,941,089)	(6,330,754)

As at and for the six months ended June 30, 2017

	Canada	Washington	California	Corporate	Total
Sales	—	287,550	—	—	287,550
Expenses	—	(655,741)	(65,844)	(1,728,043)	(2,449,628)
Net loss	—	(368,191)	(65,844)	(1,728,043)	(2,162,078)
Assets	—	6,747,802	1,150,497	2,065,918	9,964,217
Liabilities	—	(806,874)	(1,545)	(108,839)	(917,258)

18. SUBSEQUENT EVENTS

- a) On July 5, 2018, the Company completed a brokered private placement offering of 3,635,744 special warrants for aggregate gross proceeds of C\$11,816,168. Each special warrant is exercisable, for no

RUBICON ORGANICS INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three and three and six months ended June 30, 2018 and 2017

Expressed in US dollars

additional consideration and with no further action on the part of the holder, into units of the Company. Each unit will consist of one Class A common share of the Company and one-half of one common share purchase warrant (a "Unit"). Each warrant will entitle the holder to purchase one common share at an exercise price of C\$4.20 per common share until July 5, 2020, subject to adjustment in certain events. The Company paid the agents total fees of C\$835,459. C\$4,043,603 was received prior to June 30, 2018.

- b) Concurrent with the above Offering, the Company has also completed a non-brokered private placement of 417,222 Units of the Company at C\$3.25 per unit for gross proceeds of approximately C\$1.4 million.
- c) On July 31, 2018, the Company issued an aggregate of 2,432,500 stock options to directors, employees, consultants and service providers. The options are exercisable at C\$3.25 per share for a period of five years expiring on July 31, 2023, pursuant to the terms of the stock option plan. The Company also issued 50,000 restricted share units to a consultant with certain volume weighted average price vesting conditions.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options expected to be exercised. Comparative companies were used to determine the historical volatility of the Company. The fair value of the 2,432,500 options granted was estimated at \$4,808,099. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 128.3%; a risk-free interest rate of 2.85%; and zero expected dividend yield.

- d) On September 24, 2018 the Company issued an aggregate of 465,000 stock options to employees and service providers. The options are exercisable as follows: 115,000 stock options to employees at an exercise price of C\$3.25 per share for a period of five years expiring on September 24, 2023 and 350,000 stock options to service providers at an exercise price of C\$8.15 per share for a period of five years expiring on September 24, 2023.

Consolidated Financial Statements
Expressed in US dollars

RUBICON HOLDINGS, INC.
December 31, 2017 and 2016

Independent Auditor's Report

To the Board of Directors of
Rubicon Holdings, Inc.

We have audited the accompanying consolidated financial statements of Rubicon Holdings, Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rubicon Holdings, Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) Deloitte LLP

Chartered Professional Accountants

October 2, 2018

Vancouver, British Columbia

RUBICON HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in US dollars

	Notes	As at December 31 2017	As at December 31 2016
		\$	\$
ASSETS			
Current			
Cash		2,328,458	2,704,814
Accounts receivable	5	30,219	28,520
Inventory	6	189,271	496,210
Other assets		70,341	15,858
Due from related parties	16	—	1,164,500
		2,618,289	4,409,902
Non-Current			
Property, plant and equipment	7	13,009,007	5,177,815
Intangible asset	8	1,499,999	—
Due from related parties	16	244,580	154,305
Investment	9	100,000	—
		17,471,875	9,742,022
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		1,610,696	617,505
Due to related party	16	107,717	57,762
Corporate tax payable	15	59,312	—
Current portion of finance lease payable		—	80,407
		1,777,725	755,674
Non-Current			
Mortgage payable	11	2,391,391	—
Shareholders' equity			
Share capital	12	19,875,977	11,777,430
Reserves	13	2,832,267	2,116,416
Accumulated deficit		(9,382,259)	(4,907,498)
Accumulated other comprehensive income (loss)		(23,226)	—
Total shareholders' equity		13,302,759	8,986,348
		17,471,875	9,742,022

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board:

Director

Director

RUBICON HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Expressed in US dollars

	Notes	For the year ended December 31 2017 \$	For the year ended December 31 2016 \$
REVENUE			
Sales		681,711	237,299
Cost of sales	6	662,218	186,375
Loss on inventory write-off	6	251,064	—
Gross profit (loss)		(231,571)	50,924
EXPENSES			
Consulting, salaries and wages		1,683,793	1,151,245
Share-based compensation	13	875,849	908,786
General and administrative expenses	20	686,259	392,283
Sales and marketing expense		491,269	353,265
Professional fees		273,661	249,855
Depreciation	7	79,902	42,109
Licensing costs	14	—	293,331
		4,090,733	3,390,874
Loss from operations		(4,322,304)	(3,339,950)
OTHER EXPENSE			
Interest on finance lease obligations		(9,834)	(8,107)
Interest on loans		(39,766)	—
Realized foreign exchange		(43,545)	(13,444)
		(93,145)	(21,551)
Loss before income tax		(4,415,449)	(3,361,501)
Income tax expense	15	(59,312)	—
Net loss		(4,474,761)	(3,361,501)
Other comprehensive loss			
Exchange rate differences on translation of foreign operations		(23,226)	—
Total comprehensive loss		(4,497,987)	(3,361,501)
Basic and diluted loss per share			
		(0.15)	(0.13)

The accompanying notes form an integral part of these financial statements.

RUBICON HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in US dollars

	Notes	Number of shares #	Shares subscribed \$	Share capital \$	Warrant Reserve \$	Share-based reserves \$	Reserves \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total Shareholders' equity \$
Balance, December 31, 2015		22,796,681	2,000,000	4,356,674	1,459,880	590,425	2,050,305	—	(1,545,997)	6,860,982
Share issuance – license acquisition	12	43,331	—	43,331	—	—	—	—	—	43,331
Share issuance – restricted share awards	12, 16	600,000	—	250,000	—	(250,000)	(250,000)	—	—	—
Warrants exercised	12, 13	3,023,166	—	5,127,425	(592,675)	—	(592,675)	—	—	4,534,750
Share issuance - share subscription	12	—	(2,000,000)	2,000,000	—	—	—	—	—	—
Share based compensation expense	13	—	—	—	—	908,786	908,786	—	—	908,786
Net loss and comprehensive loss		—	—	—	—	—	—	—	(3,361,501)	(3,361,501)
Balance, December 31, 2016		26,463,178	—	11,777,430	867,205	1,249,211	2,116,416	—	(4,907,498)	8,986,348
Restricted share award conversion	12, 13	97,333	—	146,000	—	—	—	—	—	146,000
Share issuance – Vintages acquisition	8	999,999	—	1,499,999	—	—	—	—	—	1,499,999
Share issuance – Financing (net of financing costs)	12	3,429,855	—	6,438,548	—	—	—	—	—	6,438,548
Options exercised	12	10,000	—	14,000	—	—	—	—	—	14,000
Share based compensation expense	13	—	—	—	—	715,851	715,851	—	—	715,851
Net loss		—	—	—	—	—	—	—	(4,474,761)	(4,474,761)
Other comprehensive loss		—	—	—	—	—	—	(23,226)	—	(23,226)
Balance, December 31, 2017		31,000,366	—	19,875,977	867,205	1,965,062	2,832,267	(23,226)	(9,382,259)	13,302,759

The accompanying notes form an integral part of these financial statements.

RUBICON HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in US dollars

For the years ended December 31

	Note	2017 \$	2016 \$
OPERATING ACTIVITIES			
Net loss		(4,474,761)	(3,361,501)
Adjustments to reconcile net loss to net cash used in operating activities			
Share based compensation	13	875,849	952,117
Depreciation	7	124,477	42,109
Changes in non-cash working capital items	17	415,521	(120,745)
Cash used in operating activities		(3,058,914)	(2,488,020)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(3,865,223)	(2,677,424)
Purchase of Bridge View Greenhouses Ltd.		(3,227,371)	—
Investment in Thirty Three Health	9	(100,000)	—
Cash used in investing activities		(7,192,594)	(2,677,424)
FINANCING ACTIVITIES			
Proceeds from share issuances, including subscription payments, warrant exercises and option exercises (net of financing costs)	12	6,438,548	3,370,250
Proceeds from mortgage	11	2,391,391	—
Payments on finance lease obligation		(80,407)	(68,974)
Proceeds from share subscriptions		—	2,000,000
Loan from related parties	16	(90,274)	(66,362)
Repayment from Rubicon Organics Inc.	16	1,164,500	—
Repayments from related parties	16	49,955	—
Cash provided by financing activities		9,873,713	5,234,914
Effect of exchange rate changes on cash		1,439	—
Increase (decrease) in cash during the year		(376,356)	69,470
Cash, beginning of year		2,704,814	2,635,344
Cash, end of year		2,328,458	2,704,814

The accompanying notes form an integral part of these financial statements.

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
Expressed in US dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Rubicon Holdings Inc. (“Rubicon” or the “Company”) is a Washington State registered company incorporated on May 28, 2015, as the result of a merger between RH GP, Inc. and Rubicon Holdings, LP. RH GP, Inc. and Rubicon Holdings, LP were both incorporated in October 2014 and were under common control. The address of the Company’s registered office is 1191 Second Ave. Suite 1800, Seattle, WA98101-2939.

On May 15, 2018 the Company entered into a share exchange transaction (the “Share Exchange”) with Rubicon Organics Inc. (“ROI”) whereby each shareholder of the Company, other than ROI, exchanged its common shares in the Company on a 1:1 basis with the common shares of ROI. After consummation of the Share Exchange, ROI is the sole shareholder of the Company and the Company’s previous shareholders, other than ROI hold common shares in ROI. Further information is provided below.

Rubicon’s business plan is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in the Washington and California, and is planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) in effect for the year ended December 31, 2017 and 2016.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 17, 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of each subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The Company's operating subsidiaries are as follows:

RUBICON HOLDINGS, INC.
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Name	Place of Incorporation	Ownership Percentage
Red Dog Operations, Inc.	WA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
Rubicon California LLC	CA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%

⁽¹⁾ The Company controls a licensed cannabis company, Vega Ventures LLC (“Vega”), in Washington state by way of a contractual agreement. Vega is fully consolidated in these financial statements in accordance with IFRS 10.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

These consolidated financial statements are presented in United States dollars (“USD”). The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which it operates. The functional currency of all the Company’s operations is USD with the exception of 1113603 B.C Ltd., Bridge View Greenhouses Ltd. (“Bridge View”) and Vintages Organic Cannabis Company Inc (“Vintages”), where the functional currency is the Canadian dollar (“CDN”). Once the Company determines the functional currency of an entity it is not changed unless there is a change in the relevant underlying transactions, events and circumstances. Any change in an entity’s functional currency is accounted for prospectively from the date of the change, and the consolidated statements of financial performance are translated using the exchange rate at that date.

b. Asset acquisitions

Asset acquisitions are accounted for using the fair value of the consideration. Any transaction costs associated with asset acquisitions are capitalized.

c. Cash

Cash consists of deposits held in banks.

d. Inventory

Inventories of purchased cannabis product and packaging materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Any subsequent costs incurred to bring raw

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materials to saleable form are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. When cannabis is transformed into alternate products (i.e., oil) it is valued at the cost incurred to bring it into such form, which consists of the cost of the cannabis, direct labour and an overhead allocation.

e. Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over its useful life as outlined below:

Leasehold improvements	Lease term of 2 years
Buildings	30 years
Equipment	7 years
Vehicles	5 years

An asset's residual value, useful life and depreciation method are reviewed at each reporting period and adjusted if appropriate. Land and construction in progress are stated at cost. Once available for service, depreciation will be provided over the estimated useful life of each class of depreciable asset. Improvements which increase the useful life of property and equipment and replacements of major components of property and equipment will be capitalized, while maintenance, repairs, and minor replacements will be expensed as incurred.

An asset is classified as under construction if the Company is currently constructing it and it is not yet been used for its final intended purpose. Assets under construction are measured at cost with no depreciation. Once an item is ready for its intended use, it will be reclassified to its appropriate asset category and it will be depreciated accordingly.

Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

Long-lived assets, including property, plant and equipment and are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

f. Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. The Health Canada license application is measured at fair value at the time of acquisition. Indefinite life

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intangible assets are not amortized but are tested for impairment on an annual basis or when there is an indicator of impairment.

g. Leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, in which case the lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

For finance leases, the amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest element is charged to the consolidated statements of net loss and comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

h. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares are shown as a deduction, net of tax, from the proceeds. Incremental costs associated to common shares issued with attached share purchase warrants are allocated based on the relative fair value of each component of equity.

In calculating the value of the warrants, the Company included key estimates such as the volatility of the Company's stock price, the value of the common shares and the risk free rate.

i. Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the customer has accepted the product. The revenue recognition policy is consistent for all products sold by the Company.

j. Share-based compensation

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

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For stock options granted to non-employees the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

k. Income taxes

Income tax expense includes current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount to be expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax filings with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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l. Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

m. Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: available-for-sale (“AFS”), loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to the settlement date.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL. AFS financial assets are stated at fair value at the end of each reporting period with any change in fair value allocated to other comprehensive income.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instrument classification

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Accounts receivable and other assets	Loans and receivable
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities

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Promissory note payable	Other liabilities
Due to related party	Other liabilities
Mortgage	Other liabilities
Investment	Available for sale

The fair values of accounts receivable, prepaid expenses, amounts due from related parties, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models.

Investments in equity instruments with no reliable fair value measurement are measured at cost.

n. Impairment of financial assets

The Company assesses at each reporting date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

o. New standards, amendments and interpretations

During the year ended December 31, 2017, amendments to IAS 7 and IAS 12 came into effect. These amendments did not have a significant impact on the Company's financial reporting.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management has not chosen to early adopt these pronouncements and anticipates that they will be adopted in the first period beginning after the effective date of the pronouncements.

IFRS 9 – Financial Instruments (“IFRS 9”)

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two

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categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Under IAS 39 the Company has been able to apply Paragraph 46(c) allowing the entity to measure its investment in Thirty Three Health at cost. Under IFRS 9 there is no such possibility and this investment will be measured at fair value in accordance with IFRS 13. The Company is still evaluating the impact of this change in measurement but does not anticipate it to be material.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 is effective for years commencing on or after January 1, 2018, and replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company has preliminarily determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

IFRS 16 – Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The extent of the impact of adoption of this standard on our operations has not yet been determined.

IFRS 2 – Share-based payments (“IFRS 2”)

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018.

The Company has preliminarily determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

Estimated useful lives and amortization of property and equipment and intangible assets

Amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment.

Valuation of share-based transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 13.

5. ACCOUNTS RECEIVABLE

	2017 \$	2016 \$
Trade receivables	—	3,698
Sales taxes recoverable	7,882	2,485
Other receivables	22,337	22,337
	<u>30,219</u>	<u>28,520</u>

Sales taxes recoverable represent refundable taxes spent on purchases during the year which are receivable after the year-end.

6. INVENTORY

	2017 \$	2016 \$
Cannabis inventory	131,417	178,220

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Packaging, supplies and consumables	<u>57,854</u>	317,990
	<u>189,271</u>	<u>496,210</u>

Cannabis inventory contains both bulk and packaged goods. During the year ended December 31, 2017, inventory recognized as an expense in cost of sales amounted to \$506,329 (2016 - \$172,146). During the year ended December 31, 2017, \$251,064 (2016 – nil) of packaging inventory was written off to reduce inventory items the Company does not expect to use or sell to net realizable value.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At January 1, 2016	44,919	234,612	592,159	1,694,220	2,565,910
Additions	46,435	235,913	2,040,069	331,596	2,654,013
At December 31, 2016	91,354	470,525	2,632,228	2,025,816	5,219,923
Additions	222,372	343,618	3,672,839	3,727,579	7,966,408
At December 31, 2017	313,726	814,143	6,305,067	5,753,395	13,186,331

Accumulated depreciation	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At January 1, 2016	—	—	—	—	—
Depreciation	17,034	25,075	—	—	42,109
At December 31, 2016	17,034	25,075	—	—	42,109
Depreciation	45,677	89,539	—	—	135,216
At December 31, 2017	62,711	114,614	—	—	177,325

Net book value	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At December 31, 2016	74,320	445,450	2,632,288	2,025,816	5,177,815
At December 31, 2017	251,015	699,530	6,305,067	5,753,395	13,009,007

There are no assets under financing lease as at December 31, 2017 (2016 - \$166,567).

Depreciation of \$44,576 was allocated to cost of goods sold during the year, and depreciation of \$10,333 was capitalized to inventory on hand at December 31, 2017.

Bridge View Greenhouses Ltd.

On September 15, 2017, 1113603 BC Ltd, acquired all of the outstanding common shares of Bridge View for a purchase price of CDN\$4,000,000. The assets acquired in connection with the purchase include land, greenhouse,

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building and various pieces of equipment. There were no intangible assets acquired. Costs associated with this transaction consist of legal fees of \$21,126 which have been capitalized above.

8. INTANGIBLE ASSETS

On June 14, 2017, 1113603 BC Ltd., acquired all of the outstanding common shares of Vintages from related parties, in exchange for CDN\$3.00 and 999,999 common shares of Rubicon. Management determined that it was appropriate to value the consideration at \$1,499,999, representing 999,999 common shares of Rubicon at \$1.50. Due to the non-arm's length nature of the transaction a Special Committee comprised of the Board's independent directors approved the number of shares to be issued in the transaction.

As the only identifiable asset held by Vintages at the date of acquisition was the Health Canada license application, the application was valued at the amount of the consideration. Management has assessed whether there are any impairment indicators for the Health Canada license application and determined there has been no impairment at December 31, 2017 and the carrying value remains at \$1,499,999. Health Canada license applications do not expire, and once issued, the licenses do not expire. As such, Management has treated the application as an indefinite life intangible asset and has not amortized the asset.

9. INVESTMENT

	2017	2016
	\$	\$
Investment in Thirty Three Health (Défoncé Chocolatier)	100,000	—

On March 15, 2017 the Company entered into a simple agreement for future equity (SAFE) from Thirty Three Health. The investment was valued at \$100,000 which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health's capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of this instrument, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

As at December 31, 2017, this SAFE has not been subject to any events and therefore is still in place.

10. COMMITMENTS

Operating Leases

The Company has a number of operating lease agreements involving office facilities. Future minimum lease payments required to meet obligations that have initial or remaining lease terms in excess of one year are as follows:

	2017	2016
	\$	\$
Within 1 year	94,340	140,860

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Between 1 - 3 years	30,913	137,945
	125,253	278,805

During the year \$164,728 (2016 - \$64,090) of operating lease payments were recognized in the consolidated statements of loss and comprehensive loss.

11. MORTGAGE PAYABLE

During the year, the Company obtained a mortgage of \$2,391,391 (CDN\$3,000,000) in connection with the acquisition of the Bridge View property. The mortgage is collateralized by the Bridge View land and building, bears interest at prime plus 100 basis points per annum, has a 5-year term and a 20-year amortization period.

The Company paid interest in cash of \$20,724 (CDN\$26,759) during the year ended December 31, 2017.

12. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue up to 55,000,000 common shares with no par value.

(b) Issued and fully paid

At December 31, 2017, there were 31,000,366 (2016 – 26,463,179) issued and fully paid common shares.

Rubicon completed a private placement (“the 2015 Private Placement”) for 9,188,501 common shares at a price of \$1.00 per share for gross proceeds of \$9,188,501 of which \$7,688,501 closed in 2015 and \$1,500,000 closed in 2016.

Rubicon completed a private placement (“the 2017 Private Placement”) for 4,862,372 common shares at a price of \$2.00 per share for gross proceeds of \$9,267,518 of which \$6,442,484 closed in 2017. Costs associated with this transaction amounted to \$12,906. Certain early shareholders were eligible for a Super Subscription Right (“SSR”) which entitled them to a 20% discount on the next financing greater than \$1,000,000. 1,043,065 common shares were purchased under the SSR at a price of \$1.60. On closing of the 2017 Private Placement in January 2018, this SSR expired.

13. RESERVES

(a) Warrants

	Warrants #	Weighted Average Exercise Price \$	Expiry Date
Balance, January 1, 2016	7,446,681	\$1.50	Dec. 31, 2016
Exercised	(3,023,166)	\$1.50	Dec. 31, 2016
Expired	(4,423,515)	\$1.50	Dec. 31, 2016
Balance, December 31, 2016	—	—	

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Balance, December 31, 2017

As part of the 2015 Private Placement, there were 7,446,681 warrants issued exercisable at \$1.50 until July 1, 2016. In 2016, the expiry date of the warrants was extended to December 31, 2016. In 2016, 3,023,166 warrants were exercised for total proceeds of \$4,534,749, of which \$1,164,500 was held by a related party, Rubicon Organics Inc. ("ROI"), until January of 2017 when the cash was transferred to the Company (note 12).

(b) Options

On December 17, 2015, the Company's equity incentive plan (the "Plan") was approved by the shareholders. Under the Plan, the Board of Directors may grant stock options and restricted share awards ("equity awards") pursuant and subject to the terms and conditions of the Plan to provide eligible directors, officers, employees, and consultants of the Company and any of its subsidiaries with the opportunity to acquire an ownership interest in the Company and is the basis for the Company's long-term incentive scheme.

The Plan provides for the issuance of equity awards that shall not at any time exceed 10% of the total number of issued and outstanding fully diluted common shares of the Company at the date of grant of the equity awards. The exercise price of each option is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Vesting terms vary from immediately to over three years, or in one case, are based on valuation. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

The Company has granted the following options to purchase common shares under the Plan as follows:

	Stock Options #	Weighted average exercise price \$
Balance, January 1, 2016	1,575,000	1.00
Granted	634,000	1.00
Forfeited	(200,000)	1.00
Balance, December 31, 2016	2,009,000	1.00
Granted	590,000	1.81
Exercised	(20,000)	1.00
Forfeited	(195,000)	1.63
Balance, December 31, 2017	2,384,000	1.15

The following table provides information on stock options outstanding and exercisable at December 31, 2017:

Grant Date	Exercise Price	Options outstanding		Options exercisable	
		Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
December 17, 2015	\$1.00	1,375,000	2.96	1,375,000	2.96
March 21, 2016	\$1.00	24,000	3.22	24,000	3.22
June 30, 2016	\$1.00	90,000	3.50	90,000	3.50

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August 17, 2016	\$1.00	500,000	3.63	—	—
January 12, 2017	\$1.50	80,000	4.04	15,000	4.04
April 24, 2017	\$2.00	250,000	4.32	125,000	4.32
June 21, 2017	\$2.00	40,000	4.47	—	—
November 15, 2017	\$2.00	25,000	4.88	—	—
		2,384,000	3.35	1,629,000	3.11

The fair value of the options containing service vesting conditions were determined using the Black-Scholes options pricing model, using the following assumptions:

	2017	2016
Grant date share price	\$1.50 - \$2.00	\$1.00
Risk-free interest rate	1.87%-2.04%	1.76%
Expected life of options	5 years	5 years
Expected annualized volatility	136%-137%	90%
Expected dividend yield	—	—
Black-Scholes value of each option	\$1.21-\$1.59	\$0.70

The fair value of the options containing market vesting conditions were determined using the binominal option pricing model. A grant date share price of \$1.00, risk free rate of 1.15%, expected life of 5 years, and an annualized volatility of 98% was used to calculate an average fair value per option of \$0.91.

During the year ended December 31, 2017, the Company recognized \$701,206 (2016 - \$535,765) in stock-based compensation expense pertaining to option awards in the consolidated statement of operations.

(c) Share based awards

- (iii) On January 12, 2017, the Company awarded 39,000 Restricted Stock Awards (“RSAs”) to a company owned 50% by a previously contracted executive of the Company and 5,000 to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.
- (iv) On April 12, 2017, the Company awarded 53,333 RSAs to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.

During the year ended December 31, 2017, the Company recognized \$146,000 (2016 - \$373,021) in stock-based compensation expense pertaining to RSAs in the consolidated statements of loss and comprehensive loss.

14. LICENSING COSTS

On June 23, 2016, the Company entered into an agreement whereby it had the right to designate the holder of a cannabis cultivation and a cannabis processing license (the “Option Interest”) to a resident of Washington state. The Company has designated the license be issued to an officer of the Company. The aggregate cost for the Option Interest was comprised of \$250,000 in cash and 20,000 common shares of the Company. Rubicon paid \$250,000 and transferred 10,000 common shares upon executing the agreement. The remaining common shares will be transferred when the Washington State Liquor and Cannabis Board approves the designation.

The Company entered into another option agreement in 2016 to have the right to designate the holder of a cannabis cultivation license to a resident of Washington state. The Company made an initial option payment of 33,331 common shares. This agreement was terminated after the initial option payment.

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016
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15. INCOME TAXES AND DEFERRED INCOME TAX

(a) Deductible temporary differences

As at December 31, 2017, the deferred tax assets are not recognized on the following temporary differences as it is not probable that sufficient taxable profits will be available to utilize such assets:

	2017	2016
	\$	\$
Property plant and equipment	21,000	31,000
Tax loss carryforwards	6,028,000	2,219,000
	<u>6,049,000</u>	<u>2,250,000</u>

(b) Income tax expense

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the combined federal and state statutory income tax rates as follows:

	2017	2016
	\$	\$
Loss for the year	4,415,449	3,361,501
Current statutory income tax rate	35%	35%
Expected income tax expense based on statutory rate	1,545,407	1,176,525
Differences between statutory and foreign tax rate	6,185	3,469
Differences between statutory and future tax rates	1,051	—
Tax losses not recognized in the period that the benefit arose	(1,338,841)	(810,651)
Non-deductible expenses	(360,542)	(369,343)
Other	87,428	—
	<u>(59,312)</u>	<u>—</u>

(c) Income tax loss carryforwards

As of December 31, 2017, the Company has US tax loss carryforwards of \$5,388,000 (2016 – \$2,204,000) and Canadian tax loss carry-forwards of CDN\$640,000 (2016 – nil) available to reduce future years' taxable income. The tax loss carryforwards expire at various times between 2036 and 2037.

16. RELATED PARTY RELATIONSHIPS

(a) Related party transactions

A previously contracted executive of the Company owns 50% of a marketing agency which was paid \$172,000 (2016 - \$174,149) and 53,333 RSAs, issued at \$1.50, in fees during the year. As at December 31, 2017 \$1,070 (2016 – \$19,250) was owed to the marketing agency.

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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ROI (formerly West Coast Land Corporation) is a British Columbia registered holding company which facilitates investment into Rubicon for certain Canadian shareholders. The Company paid expenditures on behalf of ROI and was owed \$156,805 (2016 – \$154,305) at year end. In 2016 ROI held \$1,164,500 in trust for the Company as part of the December 2016 warrant exercise. The funds were transferred to the Company in January of 2017.

Kool Gildea, Inc. (“KG Inc.”) is a California nonprofit mutual benefit corporation that operates a medical cannabis collective. Management provides input to the operations of KG Inc., and KG Inc. is categorized as a related party because the Company has influence over the operations of and supplies branded packaging to KG Inc. at no cost. KG Inc. has a municipal delivery license in Rancho Mirage, California to buy and sell cannabis. In 2017 the Company paid expenditures on behalf of KG Inc. and was owed \$103,315 (2016 – \$0) at year end.

During the year the Company accepted a shareholder loan totaling \$1,200,000. On November 7, 2017 the total loan and interest at 10% of \$18,904 was converted into common shares at a share price of \$1.60, applying the SSR.

As at December 31, 2017 \$82,717 (2016 – \$57,762) was owed to an officer of the Company for goods purchased on behalf of the Company.

In December 2017, three executives of the Company took a total of \$85,216 from their salary and converted it into 48,848 common shares under the terms of the 2017 Private Placement.

(b) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Key management personnel compensation was comprised of:

	2017 \$	2016 \$
Salaries	430,000	430,000
Share based compensation	286,828	519,805
	716,828	949,805

17. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

	2017 \$	2016 \$
Accounts receivable	(1,699)	(28,520)
Inventory	317,272	(496,210)
Prepaid expenses	(54,483)	17,858
Due from related parties	—	25,459
Accounts payable and accrued liabilities	95,119	360,667
Corporate tax payable	59,312	—
	415,521	(120,745)

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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Supplemental disclosure of non-cash activities:

- (i) As at December 31, 2017, accounts payable includes \$1,104,410 (2016 – \$206,339) of capital asset additions.

18. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the consolidated statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its' cash with institutions of high credit worthiness.

Institution	\$
National banks	2,319,108
Local credit unions	13,902
Money management service	625

In Washington State credit terms for the sale of cannabis are not allowed therefore the Company does not have material accounts receivable nor allowances for doubtful accounts. Washington is the only geographical segment with material revenue.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable and accrued liabilities and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable as disclosed in the notes to the Consolidated Financial Statements.

Interest rate risk

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments and the fair value of our investments.

A 1% change in interest rate would result in a CDN\$30,000 change in interest payments per annum.

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the year ended December 31, 2017 the Company was exposed to currency risk through the following assets and liabilities denominated in CAD:

	2017	2016
Cash	45,019	2,689
Accounts payable and accrued liabilities	(45,474)	(49,635)
CAD	(455)	CAD (46,946)

For the year ended December 31, 2017 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

	2017	2016
Cash	—	—
Accounts payable and accrued liabilities	(87,937)	—
EUR	(87,937)	EUR —

A 10% change of the CAD against the USD at December 31, 2017 would have increased net loss by \$586 (2016: \$3,885) or decreased net loss by \$480 (2016: \$3,149). A 10% change of the EUR against the USD at December 31, 2017 would have increased net loss by \$6,491 (2016: nil) or decreased net loss by \$5,311 (2016: nil).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments; Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, the mortgage, due from related party, and accounts payable and accrued liabilities are classified as Level 2 financial instruments and are carried at amortized costs. The Company's investment in Thirty Three Health is AFS and is classified as Level 3 financial instruments. Due to the nature of this investment, fair value cannot be reliably determined, and the instrument is therefore measured at cost less any impairment. Refer to note 9 for further information. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Expressed in US dollars

19. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the year ended December 31, 2017.

20. GENERAL AND ADMINSTRATIVE EXPENSES

	2017	2016
	\$	\$
Rent and occupancy	231,634	71,414
Office	186,054	81,154
Travel	117,256	93,054
Insurance	62,513	45,832
Equipment and supplies	53,525	91,904
Interest and bank charges	31,478	8,925
Donations	3,799	—
	686,259	392,283

During the year ended December 31, 2017, \$4,801 (2016 – \$1,893) of rent and occupancy expense was allocated to cost of goods sold.

21. SEGMENT INFORMATION

The Company has four key operating segments. Operations per segment are displayed below:

December 31, 2017	Canada	Washington	California	Corporate	Total
Sales	—	681,043	—	668	681,711
Expenses	(66,114)	(1,985,444)	(108,289)	(2,996,624)	(5,156,472)
Net (loss) income	(66,114)	(1,304,401)	(108,289)	(2,995,956)	(4,474,761)
Assets	4,836,605	8,847,684	1,159,934	2,627,652	17,471,875
Liabilities	(2,407,908)	(1,363,580)	(47,448)	(350,181)	(4,169,116)

December 31, 2016	Canada	Washington	California	Corporate	Total
Sales	—	237,229	—	—	237,299
Expenses	—	(950,834)	(32,731)	(2,615,235)	(3,598,800)
Net (loss) income	—	(713,535)	(32,731)	(2,615,235)	(3,361,501)
Assets	—	4,637,851	1,105,389	3,998,782	9,742,022
Liabilities	—	(537,126)	(368)	(218,179)	(755,674)

RUBICON HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

Expressed in US dollars

All revenues in 2017 and 2016 were generated in Washington State and were associated with the operations of Vega, a Washington State licensed processor of cannabis.

One customer accounts for 13.54 percent of total sales in 2017. The sales volume of this customer is driven solely by their market share, as compared to other customers.

22. SUBSEQUENT EVENTS

- a) On January 21, 2018, the Company issued an aggregate of 52,000 stock options to employees. The options are exercisable at US\$2.00 per share for a period of five years expiring on January 21, 2023, pursuant to the terms of the stock option plan.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options expected to be exercised. Comparative companies were used to determine the historical volatility of the Company. The fair value of the 52,000 options granted was estimated at \$77,185. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 130.2%; a risk free interest rate of 1.95%; and zero expected dividend yield.

- b) On January 25, 2018, 1,372,517 common shares were issued as part of the 2017 financing for total proceeds of \$2,745,034.
- c) On February 13, 2018, 62,500 common shares were issued at the SSR price of \$1.60 per common share to existing shareholders issuable under the Company's investor rights agreement. These shares were settled by way of a settlement of accounts payable owed to a related party.
- d) On January 30, 2018, the Company entered into an agreement with Kool Gildea Inc. ("KG Inc"), a California non-profit mutual benefit corporation granting the Company the power to direct certain activities, in particular, the appointment and removal of governing members. KG Inc has licensing associated with the Company's California land development site with associated municipal permits. In consideration for control of this entity the Company issued 300,000 common shares of the Company at a price of \$2.00 per common share and paid \$20,000 cash.
- e) The Company and ROI undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for the contemplated public listing:
- On April 19, 2018, ROI incorporated West Coast Property Holdings Inc. and on May 11, 2018 purchased three LLC companies from the Company for \$9,267,962; the California land asset, Washington greenhouse assets and leased Washington extraction facility and equipment. ROI issued a note payable to the Company as consideration for the transaction.
 - On May 15, 2018, the Company entered into a share exchange transaction (the "Share Exchange") with ROI whereby each shareholder of the Company, other than ROI, exchanged its common

RUBICON HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

Expressed in US dollars

shares in the Company on a 1:1 basis with the common shares of ROI. After consummation of the Share Exchange, ROI is the sole shareholder of the Company.

- On May 30, 2018, in connection with the Share Exchange, all former option holders of the Company exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in the Company.
- On May 31, 2018, the Company transferred directly or indirectly Bridge View Greenhouses Ltd., 1113603 B.C Ltd., Vintages Organic Cannabis Company Inc, and West Coast Marketing Corporation (“Canadian Subsidiaries”) to ROI.

Condensed Consolidated Interim Financial Statements (Unaudited)
Expressed in US dollars

RUBICON HOLDINGS, INC.
For the Three Months Ended March 31, 2018

RUBICON HOLDINGS, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
Expressed in US dollars

	Notes	As at March 31 2018	As at December 31 2017
		\$	\$
ASSETS			
Current			
Cash		1,929,210	2,328,458
Accounts receivable		126,595	30,219
Inventory	4	249,289	189,271
Other assets		368,717	70,341
		2,673,811	2,618,289
Non-Current			
Property, plant and equipment	5	14,146,591	13,009,007
Intangible asset	6	1,911,525	1,499,999
Due from related parties	11	159,034	244,579
Investment	8	100,000	100,000
		18,990,961	17,471,875
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		1,699,803	1,610,696
Due to related party	11	150,597	107,717
Corporate tax payable		68,339	59,312
		1,918,739	1,777,725
Non-Current			
Mortgage payable		2,326,664	2,391,391
Shareholders' equity			
Share capital	9	23,265,175	19,875,977
Reserves	10	2,961,483	2,832,267
Accumulated deficit		(11,416,534)	(9,382,259)
Accumulated other comprehensive income (loss)		(64,566)	(23,226)
Total shareholders' equity		14,745,558	13,302,759
		18,990,961	17,471,875

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited).

On behalf of the Board: _____
Director Director

RUBICON HOLDINGS, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE
LOSS (UNAUDITED)

Expressed in US dollars

	Notes	For the three months ended March 31 2018 \$	For the three months ended March 31 2017 \$
REVENUE			
Sales		408,601	140,908
Cost of sales	4	303,080	135,747
Loss on inventory write-off	4	104,631	—
Gross profit (loss)		890	5,161
EXPENSES			
Consulting, salaries and wages		667,368	329,581
Share-based compensation	10	129,216	294,269
General and administrative expenses		415,472	88,035
Sales and marketing expense		347,871	74,682
Professional fees		217,074	49,697
Depreciation	5	31,128	26,293
Amortization of intangible asset	6	182,900	—
		1,991,029	862,557
Loss from operations		(1,990,139)	(857,396)
OTHER EXPENSE			
Interest on finance lease obligations		—	5,766
Interest on loans		25,304	—
Realized foreign exchange		9,805	4,908
		35,109	10,674
Loss before income tax		(2,025,248)	(868,070)
Income tax expense		9,027	—
Net loss		(2,034,275)	(868,070)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange rate differences on translation of foreign operations		(41,340)	—
Total comprehensive loss		(2,075,615)	(868,070)
Basic and diluted loss per share			
		(0.07)	(0.03)

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited)

RUBICON HOLDINGS, INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Expressed in US dollars

Notes	Number of shares #	Share capital \$	Warrant Reserve \$	Share-based reserves \$	Reserves \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Total Shareholders' equity \$
Balance, January 1, 2017	26,463,178	11,777,430	867,205	1,249,211	2,116,416	—	(4,907,498)	8,986,348
Share based compensation expense	—	—	—	294,269	294,269	—	—	294,269
Restricted share award conversion	44,000	66,000	—	—	—	—	—	66,000
Net loss	—	—	—	—	—	—	(868,070)	(868,070)
Other comprehensive income	—	—	—	—	—	—	—	—
Balance, March 31, 2017	26,507,178	11,843,430	867,205	1,543,480	2,410,685	—	(5,775,568)	8,478,547
Restricted share award conversion	53,333	80,000	—	—	—	—	—	80,000
Share issuance – Vintages acquisition	999,999	1,499,999	—	—	—	—	—	1,499,999
Share issuance – Financing (net of financing costs)	3,429,855	6,438,548	—	—	—	—	—	6,438,548
Options exercised	10,000	14,000	—	—	—	—	—	14,000
Share based compensation expense	—	—	—	421,582	421,582	—	—	421,582
Net loss	—	—	—	—	—	—	(3,606,691)	(3,606,691)
Other Comprehensive Income	—	—	—	—	—	(23,226)	—	(23,226)
Balance, December 31, 2017	31,000,366	19,875,977	867,205	1,965,062	2,832,267	(23,226)	(9,382,259)	13,302,759
Balance, January 1, 2018	31,000,366	19,875,977	867,205	1,965,062	2,832,267	(23,226)	(9,382,259)	13,302,759
Share based compensation expense	9	—	—	129,216	129,216	—	—	129,216
Shares for agreement with KG Inc.	7,9	300,000	—	—	—	—	—	600,000
Share issuances – Financing (net of financing costs)	9	1,435,017	—	—	—	—	—	2,789,198
Net loss	—	—	—	—	—	—	(2,034,275)	(2,034,275)
Other comprehensive income	—	—	—	—	—	(41,340)	—	(41,340)
Balance, March 31, 2018	32,735,382	23,265,175	867,205	2,094,278	2,961,483	(64,566)	(11,416,534)	14,745,558

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

RUBICON HOLDINGS, INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)***Expressed in US dollars*

	Note	For the three months ended March 31, 2018 \$	For the three months ended March 31, 2017 \$
OPERATING ACTIVITIES			
Net loss		(2,034,275)	(871,137)
Adjustments to reconcile net loss to net cash used in operating activities			
Share based compensation	10	129,216	297,336
Depreciation	5	45,332	26,293
Amortization of intangible asset	6	182,901	—
Unrealized foreign exchange gain/loss		1,543	—
Changes in non-cash working capital items	12	(550,800)	1,165,486
Cash used in operating activities		(2,226,083)	(617,978)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1,010,453)	(653,688)
Investments	7,8	12,108	(100,000)
Cash used in investing activities		(998,345)	(753,688)
FINANCING ACTIVITIES			
Proceeds from share issuances (net of financing costs)	9	2,704,198	—
Payments on finance lease obligation		—	(16,794)
Repayment of loan from related party	11	—	(8,500)
Repayment from ROI	11	(1,809)	—
Repayments from related parties	11	127,881	—
Cash provided by financing activities		2,830,270	(25,294)
Effect of exchange rate changes on cash		(5,090)	—
Increase (decrease) in cash during the year		(399,248)	(161,006)
Cash, beginning of year		2,328,458	2,704,814
Cash, end of year		1,929,210	2,543,810

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2018 and 2017

Expressed in US dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

Rubicon Holdings Inc. (“Rubicon” or the “Company”) is a Washington State registered company incorporated on May 28, 2015, as the result of a merger between RH GP, Inc. and Rubicon Holdings, LP. RH GP, Inc. and Rubicon Holdings, LP were both incorporated in October 2014 and were under common control. The address of the Company’s registered office is 1191 Second Ave. Suite 1800, Seattle, WA 98101-2939.

On May 15, 2018 the Company entered into a share exchange transaction (the “Share Exchange”) with Rubicon Organics Inc. (“ROI”) whereby each shareholder of the Company, other than ROI, exchanged its common shares in the Company on a 1:1 basis with the common shares of ROI. After consummation of the Share Exchange, ROI is the sole shareholder of the Company and the Company’s previous shareholders, other than ROI hold common shares in ROI. Further information is provided below.

Rubicon’s business plan is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in the Washington and California, and is planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

2. BASIS OF PREPARATION**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in compliance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2017, other than disclosed in Note 3. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on August 17, 2018.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These condensed consolidated interim financial statements include the condensed interim financial statements of the Company and its controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The condensed interim financial statements of each subsidiary are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the period are included in the condensed consolidated interim statements of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. The Company's operating subsidiaries are as follows:

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2018 and 2017

Expressed in US dollars

Name	Place of Incorporation	Ownership Percentage
Red Dog Operations, Inc.	WA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
Rubicon California LLC	CA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%
Kool Gildea, Inc ⁽²⁾	CA, United States	0%

1. The Company controls a licensed cannabis company, Vega Ventures LLC (“Vega”), in Washington state by way of a contractual agreement. Vega is fully consolidated in these condensed consolidated interim financial statements in accordance with IFRS 10.
2. On January 30, 2018, an agreement was executed between the Company and Kool Gildea, Inc (“KG Inc”), a California non-profit mutual benefit corporation (“Non-Profit”) granting the Company the power to direct certain activities of KG Inc., in particular the appointment and removal of governing members. As a result of this control, KG Inc. is consolidated in these condensed consolidated financial statements in accordance with IFRS 10.

3. CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS

During the three months ended March 31, 2018 the following standards came into effect:

- IFRS 9 – *Financial Instruments* (“IFRS 9”)

The Company has adopted IFRS 9 for the first time for the period ended March 31, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value.

The Company will continue to hold all loans and other liabilities at amortized cost and cash and investments will continue to be held at fair value through profit or loss. However, the Company will no longer be able to apply the cost exception for certain investments previously permitted under IAS 39. The Company has elected not to restate prior period numbers.

Financial Instruments	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost	Amortized cost
Investments	Other financial assets	Available for sale	Fair value through profit or loss

The Company’s investment in Thirty Three Health is held at fair value using level 3 inputs under IFRS 13. Management has performed an assessment of this change in policy and noted there is no financial impact on the Company’s financial statements for the three months ended March 31, 2018 in respect of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”)

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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Expressed in US dollars

The Company has adopted IFRS 15 for the first time for the period ended March 31, 2018, and replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized. Management has applied the five-step analysis to all revenue contracts and determined that there is no change to the amount or timing of revenue recognized during the period.

The Company has elected to apply the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. With no change to the amount or timing of revenue recognized, no adjustment is required under this approach.

The Company disaggregates revenue from contracts with customers according to the geographic location of the revenue. This is presented in Note 14 Segment Information.

This new standard does not bring about significant changes to the financial position or performance of the Company other than additional disclosure. The Company has reviewed the impact of this change and noted there is no financial impact on the Company's financial statements for the three months ended March 31, 2018 in respect of IFRS 15.

- IFRS 2 – *Share-based payments* ("IFRS 2")

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes.

The standard requires entities to recognise all share-based payment awards in the financial statements based on fair value when the goods and services are received, which is determined at the grant date for share-based payments issued to employees. The Company does not have any cash-settled share-based payment transactions, nor share-based payment transactions with cash alternatives. For equity-settled awards, the Company measures the fair value of goods or services received and recognises a corresponding increase in equity. If the Company cannot reliably estimate the fair value of the goods or services received, the Company must measure its fair value indirectly using the fair value of the equity instruments granted.

This new standard does not bring about any changes to the financial position or performance of the Company other than additional disclosure.

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

- IFRS 16 – *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The impact on the Company's condensed consolidated interim financial statements of adopting this standard has not yet been determined.

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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*Expressed in US dollars***4. INVENTORY**

	March 31, 2018	December 31, 2017
	\$	\$
Cannabis inventory	183,360	152,756
Packaging, supplies and consumables	65,929	36,515
	<u>249,289</u>	<u>189,271</u>

Cannabis inventory contains both bulk and packaged goods. During the three months ended March 31, 2018, inventory recognized as an expense in cost of sales amounted to \$128,837 (March 31, 2017 - \$106,196). During the three months ended March 31, 2018, \$104,629 (March 31, 2017 – nil) of inventory was written off to reduce inventory items reduced due to moisture or items the Company does not expect to use or sell to net realizable value.

5. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At January 1, 2017	91,354	470,525	2,632,228	2,025,816	5,219,923
Additions	222,372	343,618	3,672,839	3,727,579	7,966,408
Foreign exchange	—	—	—	—	—
At December 31, 2017	313,726	814,143	6,305,067	5,753,395	13,186,331
Additions	—	104,644	16,833	1,163,461	1,284,938
Foreign exchange	(49,946)	(5,026)	—	(47,049)	(102,021)
At March 31, 2018	263,780	913,761	6,321,900	6,869,807	14,369,248

Accumulated depreciation	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At January 1, 2017	17,034	25,075	—	—	42,109
Depreciation	45,677	89,539	—	—	135,216
At December 31, 2017	62,711	114,614	—	—	177,325
Depreciation	13,258	32,073	—	—	45,331
At March 31, 2018	75,969	146,687	—	—	222,656

Net book value	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At December 31, 2017	251,015	699,530	6,305,067	5,753,395	13,009,007
At March 31, 2018	187,810	767,074	6,321,900	6,869,807	14,146,591

Depreciation of \$97,607 was allocated to cost of goods sold during the year (March 31, 2017 – nil).

6. INTANGIBLE ASSETS

Cost	Health Canada License Application	California Distribution License	Total
	\$	\$	\$

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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At January 1, 2017	—	—	—
Additions	1,499,999	—	1,499,999
At December 31, 2017	1,499,999	—	1,499,999
Additions (note 7)	—	594,426	594,426
Amortization	—	(182,900)	(182,900)
At March 31, 2018	1,499,999	411,526	1,911,525

As part of the KG Inc. Purchase (see note 7), the Company obtained a temporary state distribution license issued by the Bureau of Cannabis Control in California. This intangible asset was valued at the amount of consideration paid under the Agreement and as at March 31, 2018 less the value of all other assets and liabilities assumed. The license expires on August 15, 2018 and has been amortized as appropriate above.

7. BUSINESS ACQUISITIONS

On January 30, 2018, the Company entered into an agreement to obtain the right to control KG Inc. an entity with licensing associated with the Company's California land development site with associated municipal permits (the "KG Inc. Purchase"). In consideration of control of this entity the Company issued 300,000 common shares of the Company at a price of \$2.00 per common share and paid \$20,000 cash.

The following table summarizes the provisional balance sheet impact on the acquisition date of the Company's business acquisition that occurred in the period ended March 31, 2018:

	As at January 31, 2018 \$
Cash	12,108
Accounts receivable	5,508
Inventory	142,536
Intangible asset	599,385
Total assets	759,537
Accounts payable	47,223
Total liabilities	47,223

8. INVESTMENT

On March 15, 2017, the Company entered into a simple agreement for future equity ("SAFE") with Thirty Three Health. The investment was valued at \$100,000 which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health's capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of this instrument, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

This investment is carried at its fair value under IFRS 9 using level 3 inputs permitted under IFRS 13. As at March 31, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

9. SHARE CAPITAL**(a) Authorized**

The Company is authorized to issue up to 55,000,000 common shares with no par value.

(b) Issued and fully paid

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On January 30, 2018, the Company issued 300,000 common shares with respect to the KG Inc. Purchase (note 7).

On January 25, 2018, 1,372,517 common shares were issued as part of the 2017 financing for total proceeds of \$2,745,034. Financing costs associated with this issuance totaled \$55,836.

On February 13, 2018, 62,500 common shares were issued at the Super Subscription Right (“SSR”) price of \$1.60 per common share to existing shareholders issuable under the Company’s investor rights agreement. These shares were settled by way of a settlement of accounts payable owed to a related party.

At March 31, 2018, there were 32,735,382 (March 31, 2017 – 26,507,178) issued and fully paid common shares.

10. RESERVES**(a) Options**

On December 17, 2015, the Company’s equity incentive plan (the “Plan”) was approved by the shareholders. Under the Plan, the Board of Directors may grant stock options and restricted share awards (“equity awards”) pursuant and subject to the terms and conditions of the Plan to provide eligible directors, officers, employees, and consultants of the Company and any of its subsidiaries with the opportunity to acquire an ownership interest in the Company and is the basis for the Company’s long-term incentive scheme.

The Plan provides for the issuance of equity awards that shall not at any time exceed 10% of the total number of issued and outstanding fully diluted common shares of the Company at the date of grant of the equity awards. The exercise price of each option is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Vesting terms vary from immediately to over three years, or in one case, are based on valuation. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

The Company has granted the following options to purchase common shares under the Plan as follows:

	March 31, 2018		March 31, 2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, start of period	2,384,000	1.15	2,009,000	1.00
Granted	52,000	2.00	225,000	1.50
Exercised	—	—	—	—
Forfeited	—	—	(20,000)	1.00
Balance, end of period	2,436,000	1.17	2,214,000	1.05

The following table provides information on stock options outstanding and exercisable at March 31, 2018:

Grant Date	Exercise Price	Options outstanding		Options exercisable	
		Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
December 17, 2015	\$1.00	1,375,000	2.72	1,375,000	2.72
March 21, 2016	\$1.00	24,000	2.98	24,000	2.98
June 30, 2016	\$1.00	90,000	3.25	90,000	3.25
August 17, 2016	\$1.00	500,000	3.38	—	—
January 12, 2017	\$1.50	80,000	3.79	15,000	3.79
April 24, 2017	\$2.00	250,000	4.07	212,500	4.07
June 21, 2017	\$2.00	40,000	4.23	—	—
November 15, 2017	\$2.00	25,000	4.63	—	—

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January 21, 2018	\$2.00	52,000	4.81		
		2,436,000	3.14	1,716,500	2.93

The fair value of the options containing service vesting conditions were determined using the Black-Scholes options pricing model, using the following assumptions:

	2018	2017
Grant date share price	\$2.00	\$1.50-\$2.00
Risk-free interest rate	1.95%	1.87%-2.04%
Expected life of options	5 years	5 years
Expected annualized volatility	130.2%	136%-137%
Black-Scholes value of each option	\$1.48	\$1.21-\$1.59

During the three months ended March 31, 2018, the Company recognized \$113,843 (March 31, 2017 - \$145,536) in stock-based compensation expense pertaining to option awards in the condensed consolidated interim statement of operations. The remaining balance of the share-based awards is made up of Restricted Stock Awards ("RSAs") totaling \$15,373 (March 31, 2017 - \$81,411).

Stock Option Grant

On January 21, 2018, the Company issued an aggregate of 52,000 stock options to employees. The options are exercisable at US\$2.00 per share for a period of five years expiring on January 21, 2023, pursuant to the terms of the stock option plan.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of options, expected volatility, expected dividend yield and the risk-free interest rate, as well as the number of options expected to be exercised. Comparative companies were used to determine the historical volatility of the Company. The fair value of the 52,000 options granted was estimated at \$77,185. The assumptions used in the pricing model were: an expected life of 5 years; annualized volatility of 130.2%; a risk free interest rate of 1.95%; and zero expected dividend yield.

(b) Share based awards

- (i) On January 12, 2017, the Company awarded 39,000 Restricted Stock Awards ("RSAs") to a company owned 50% by a previously contracted executive of the Company and 5,000 to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.
- (ii) On April 12, 2017, the Company awarded 53,333 RSAs to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.

11. RELATED PARTY RELATIONSHIPS**(a) Related party transactions**

Rubicon Organics Inc. ("ROI") (previously named West Coast Land Corporation) is a British Columbia registered holding company which facilitates investment into Rubicon for certain Canadian shareholders. The Company paid expenditures on behalf of ROI and was owed \$159,453 (December 31, 2017 - \$157,224) at March 31, 2018.

As at March 31, 2018, \$150,597 (December 31, 2017 - \$107,717) was owed to officers of the Company for goods purchased on behalf of the Company. Refer also to note 10 regarding common shares purchased.

(b) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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Company are the members of the Company's executive management team and Board of Directors. Key management personnel compensation was comprised of:

	March 31, 2018	March 31, 2017
	\$	\$
Salaries	107,500	139,796
Share based compensation	38,111	81,411
	<u>145,611</u>	<u>221,207</u>

12. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

	March 31, 2018	March 31, 2017
	\$	\$
Accounts receivable	(90,868)	(253)
Inventory	82,518	(150,730)
Other assets	(318,377)	(5,965)
Due from related parties	—	1,164,500
Accounts payable and accrued liabilities	(233,100)	157,934
Corporate tax payable	9,027	—
	<u>(550,800)</u>	<u>1,165,486</u>

Supplemental disclosure of non-cash activities:

- (i) As at March 31, 2018, accounts payable includes \$829,427 (December 31, 2017 - \$1,104,410) of capital asset additions.

13. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the condensed consolidated interim statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high credit worthiness.

Institution	\$
National banks	1,896,921
Money management service	32,289

In Washington State credit terms for the sale of cannabis are not allowed therefore the Company does not have material accounts receivable nor allowances for doubtful accounts. Washington is the only geographical segment with material revenue.

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2018 and 2017

*Expressed in US dollars***Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term

business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable and accrued liabilities and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable.

Interest rate risk

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments. A 1% change in interest rate would result in a Canadian ("CDN") \$30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the three months ended March 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in CDN:

	March 31, 2018	March 31, 2017
Cash	628,045	76,707
Accounts payable and accrued liabilities	(179,699)	(70,533)
CDN	448,346	CDN 6,174

For the three months ended March 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

	March 31, 2017	March 31, 2017
Cash	—	—
Accounts payable and accrued liabilities	(16,511)	(46,897)
EUR	(16,511)	EUR (46,897)

A 10% change of the CDN against the United States Dollars ("USD") at March 31, 2018 would have increased net loss by \$31,611 (March 31, 2017: \$421) or decreased net loss by \$38,635 (March 31, 2017: \$515). A 10% change of the EUR against the USD at March 31, 2018 would have increased net loss by \$946 (March 31, 2017: \$2,687) or decreased net loss by \$1,156 (March 31, 2017: \$3,284).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments; Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

RUBICON HOLDINGS, INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, the mortgage, due from related party, and accounts payable and accrued liabilities are classified as Level 2 financial instruments and are carried at amortized costs.

The Company's investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument. As at March 31, 2018, the SAFE was valued at \$100,000 (December 31, 2017 - \$100,000).

There were no transfers within the fair value hierarchy during the three months ended March 31, 2018.

13. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the three months ended March 31, 2018.

14. SEGMENT INFORMATION

The Company has four key operating segments. Balances by operating segment are displayed below:

March 31, 2018	Canada	Washington	California	Corporate	Total
Sales	70,510	243,529	94,299	263	408,601
Expenses	(94,834)	(1,063,985)	(280,121)	(1,003,936)	(2,442,876)
Net income (loss)	(24,324)	(820,456)	(185,822)	(1,003,673)	(2,034,275)
Assets	6,094,726	9,427,705	1,730,143	1,738,387	18,990,961
Liabilities	(2,653,296)	(1,049,458)	(14,760)	(527,889)	(4,245,403)
March 31, 2017	Canada	Washington	California	Corporate	Total
Sales	—	171,713	—	(30,805)	140,908
Expenses	—	(121,230)	(4,007)	(883,741)	(1,008,978)
Net income (loss)	—	50,483	(4,007)	(914,546)	(868,070)
Assets	—	5,413,882	1,105,389	2,643,526	9,162,797
Liabilities	—	(480,031)	(1,823)	(268,397)	(750,251)

15. SUBSEQUENT EVENTS

- a) The Company and ROI undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for the contemplated public listing:
 - On April 19, 2018, ROI incorporated West Coast Property Holdings Inc. and on May 11, 2018 purchased three LLC companies from the Company for \$9,267,962; the California land asset,

RUBICON HOLDINGS, INC.

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Washington greenhouse assets and leased Washington extraction facility and equipment. ROI issued a note payable to the Company as consideration for the transaction.

- On May 15, 2018, the Company entered into a share exchange transaction (the “Share Exchange”) with ROI whereby each shareholder of the Company, other than ROI, exchanged its common shares in the Company on a 1:1 basis with the common shares of ROI. After consummation of the Share Exchange, ROI is the sole shareholder of the Company.
- On May 30, 2018, in connection with the Share Exchange, all former option holders of the Company exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in the Company.
- On May 31, 2018, the Company transferred directly or indirectly Bridge View Greenhouses Ltd., 1113603 B.C Ltd., Vintages Organic Cannabis Company Inc, and West Coast Marketing Corporation (“Canadian Subsidiaries”) to ROI.

Pro Forma Consolidated Financial Statements (Unaudited)
Expressed in US dollars

RUBICON ORGANICS INC.

RUBICON ORGANICS INC.
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at March 31, 2018
Expressed in US dollars

	Rubicon Organics Inc.	Rubicon Holdings, Inc.	Pro Forma Notes	Pro Forma Adjustments	Pro Forma Balance Consolidated
	\$	\$		\$	\$
ASSETS					
Current					
Cash	2,027	1,929,210		-	1,931,237
Accounts receivable	-	126,594		-	126,594
Inventory	-	249,289		-	249,289
Other assets	-	368,717		-	368,717
	2,027	2,673,810		-	2,675,837
Non-Current					
Property, plant and equipment	-	14,146,591		-	14,146,591
Investment in Rubicon Holdings, Inc.	11,377,458	-	4	(11,377,458)	-
Intangible asset	-	1,911,526		-	1,911,526
Due from related parties	-	159,034	4	(159,034)	-
Investment	-	100,000		-	100,000
	11,379,485	18,990,961		(11,536,492)	18,833,954
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	11,800	1,699,803	4	170,000	1,881,603
Due to related party	-	150,597		-	150,597
Corporate tax payable	-	68,339		-	68,339
	11,800	1,918,739		170,000	2,100,539
Non-Current					
Mortgage payable	-	2,326,664		-	2,326,664
Due to related party	159,034	-	4	(159,034)	-
	159,034	2,326,664		(159,034)	2,326,664
Shareholders' equity					
Share capital	3,283,985	23,265,175	4	8,659,969	35,209,129
Reserves	173,572	2,961,483	4	(173,572)	2,961,483
Accumulated deficit	5,842,751	(11,416,534)	4	(18,125,512)	(23,699,295)
Accumulated other comprehensive income (loss)	1,908,343	(64,566)	4	(1,908,343)	(64,566)
Total shareholders' equity	11,208,651	14,745,558		(11,547,458)	14,406,751
	11,379,485	18,990,961		(11,536,492)	18,833,954

See accompanying notes to the Pro Forma Consolidated Financial Statements

RUBICON ORGANICS INC.
PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)

For the year ended December 31, 2017

Expressed in US dollars

	Rubicon Organics Inc.	Rubicon Holdings, Inc.	Pro Forma Notes	Pro Forma Adjustments	Pro Forma Balance Consolidated
	\$	\$		\$	\$
REVENUE					
Sales	18	681,711		-	681,729
Cost of sales	-	662,218		-	662,218
Loss on inventory write-off	-	251,064		-	251,064
Unrealized gains on financial asset at fair value through profit and loss	2,358,193	-	4	(2,358,193)	-
Gross profit (loss)	2,358,211	(231,571)		(2,358,193)	(231,553)
EXPENSES					
Transaction costs	-	-	4	12,123,727	12,123,727
Consulting, salaries and wages	-	1,683,793		-	1,683,793
Share based compensation	-	875,849		-	875,849
General and administrative expenses	1,651	686,259		-	687,910
Sales and marketing expense	-	491,269		-	491,269
Professional fees	2,182	273,661		-	275,843
Depreciation	-	79,902		-	79,902
	3,833	4,090,733		12,123,727	16,218,293
Income (loss) from operations	2,354,378	(4,322,304)		(14,481,920)	(16,449,846)
Interest on finance lease obligations	-	9,834		-	9,834
Interest on mortgage	-	20,844		-	20,844
Interest on loans	-	18,922		-	18,922
Realized foreign exchange	(23)	43,545		-	43,522
	(23)	93,145		-	93,122
Income (loss) before income tax	2,354,401	(4,415,449)		(14,481,920)	(16,542,968)
Income tax expense	-	59,312		-	59,312
Net income (loss)	2,354,401	(4,474,761)		(14,481,920)	(16,602,280)
OTHER INCOME					
Items that may be reclassified subsequently to profit or loss					
Exchange rate differences on translation of foreign operations	-	23,226		-	23,226
Total comprehensive income (loss)	2,354,401	(4,497,987)		(14,481,920)	(16,625,506)

Basic and diluted income (loss) per share

(0.54)

See accompanying notes to the Pro Forma Consolidated Financial Statements

RUBICON ORGANICS INC.**PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)**

For the three months March 31, 2018

Expressed in US dollars

	Rubicon Organics Inc.	Rubicon Holdings, Inc.	Pro Forma Notes	Pro Forma Adjustments	Pro Forma Balance Consolidated
	\$	\$		\$	\$
REVENUE					
Sales	-	408,601		-	408,601
Cost of sales	-	303,080		-	303,080
Loss on inventory write-off	-	104,631		-	104,631
Unrealized gains on financial asset at fair value through profit and loss	1,919,686	-	4	(1,919,686)	-
Gross profit (loss)	1,919,686	890		(1,919,686)	890
EXPENSES					
Consulting, salaries and wages	-	667,368		-	667,368
Share based compensation	-	129,216		-	129,216
General and administrative expenses	1,638	415,472		-	417,110
Sales and marketing expense	-	347,871		-	347,871
Professional fees	9,746	217,074		-	226,820
Amortization of intangible asset	-	182,900		-	182,900
Depreciation	-	31,128		-	31,128
	11,384	1,991,029		-	2,002,413
Income (loss) from operations	1,908,302	(1,990,139)		(1,919,686)	(2,001,523)
Interest on mortgage	-	25,304		-	25,304
Realized foreign exchange	(41)	9,805		-	9,765
	(41)	35,109		-	35,069
Income (loss) before income tax	1,908,343	(2,025,248)		(1,919,686)	(2,036,591)
Income tax expense	-	9,027		-	9,027
Net income (loss)	1,908,343	(2,034,275)		(1,919,686)	(2,045,618)
OTHER INCOME					
Items that may be reclassified subsequently to profit or loss					
Exchange rate differences on translation of foreign operations	-	(41,340)		-	(41,340)
Total comprehensive income (loss)	1,908,343	(2,075,615)		(1,919,686)	(2,086,958)
Basic and diluted income (loss) per share					(0.06)

See accompanying notes to the Pro Forma Consolidated Financial Statements

RUBICON ORGANICS INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Pro Forma Consolidated Statement of Financial Position as of March 31, 2018, the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2018 and the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017

Expressed in USD

1. BASIS OF PREPARATION

These Unaudited Pro Forma Consolidated Financial Statements are prepared for inclusion in the Prospectus of ROI (the “Prospectus”). They have been compiled from, and include the Unaudited Pro Forma Consolidated Statement of Financial Position as of March 31, 2018, the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2018 and the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017 (together called the “Pro Forma Consolidated Financial Statements”) of Rubicon Organics Inc. (“ROI”). The Prospectus describes a transaction involving ROI and Rubicon Holdings, Inc. (“RHI”), which is described in Note 2.

The Unaudited Pro Forma Consolidated Financial Statements of ROI have been compiled from the following financial information:

- Audited Financial Statements of ROI for the year ended December 31, 2017.
- Audited Consolidated Financial Statements of RHI for the year ended December 31, 2017.
- Unaudited Condensed Interim Financial Statements of ROI for the three months ended March 31, 2018.
- Unaudited Condensed Consolidated Interim Financial Statements of RHI for the three months ended March 31, 2018.

The Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017 and the three months ended March 31, 2018 have been prepared as if the transaction described in Note 2 had occurred on January 1, 2017. The Unaudited Pro Forma Consolidated Statement of Financial Position as at March 31, 2018 has been prepared as if the transaction described in Note 2 had occurred on March 31, 2018.

These Unaudited Pro Forma Consolidated Financial Statements are not intended to reflect the financial position or performance of ROI that would have resulted had the proposed transaction described in Note 2 and other pro forma adjustments occurred as assumed. Further, these Unaudited Pro Forma Consolidated Financial Statements are not necessarily indicative of the financial position or performance that may be attained in the future. These Unaudited Pro Forma Consolidated Financial Statements should be read in conjunction with the financial information referred to above.

The Prospectus is subject to, among other things, receipt of requisite shareholder approvals, regulatory approvals, including approval of the Canadian Securities Exchange (“CSE”), and additional conditions.

2. DESCRIPTION OF THE TRANSACTION

ROI entered a share exchange transaction with RHI, a company formed under the laws of Washington, USA. As of May 15, 2018, the date of the transaction, ROI owned approximately 14% of the issued and outstanding shares of RHI. Under the share exchange, each shareholder of RHI, other than ROI, exchanged its 28,003,271 shares in RHI on a 1:1 basis with shares of ROI (the “Share Exchange”). After consummation of the Share Exchange, ROI became the sole shareholder of RHI, and all previous shareholders of RHI hold shares in ROI. The new company intends to list its shares on the Canadian Securities Exchange (“CSE”).

RUBICON ORGANICS INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Pro Forma Consolidated Statement of Financial Position as of March 31, 2018, the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2018 and the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017

Expressed in USD

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these Unaudited Consolidated Pro Forma Financial Statement are consistent with those set out in the notes to the Audited Financial Statements of ROI as at and for the year ended December 31, 2017.

4. PRO FORMA ADJUSTMENTS

Pursuant to the Share Exchange, RHI completed a reverse takeover transaction of ROI (the "RTO"). The effect of the RTO on the Pro Forma Consolidated Financial Statements is described herein and assessed to constitute a reverse asset acquisition by RHI. Under *IFRS 3 – Business Combinations* ("IFRS 3") ROI does not meet the definition of a business and therefore the RTO is not considered a business combination. The substance of the RTO is assessed to be a reverse acquisition of a non-operating company, although legally, ROI is regarded as the parent or continuing company. RHI is assessed as the acquirer for accounting purposes following the principles of IFRS 3 as its shareholders held 86% of the voting shares of the ROI after the RTO. As a result, the RTO is to be accounted for as an asset acquisition with RHI being identified as the acquirer and the transaction being measured at the fair value of the equity consideration deemed issued to the ROI's shareholders in accordance with *IFRS 2 – Share Based Payments* ("IFRS 2").

Consequently, the RTO is accounted for as a continuation of the financial statements of RHI, together with a deemed issuance of shares equivalent to the shares held by the former shareholders of the ROI, and a recapitalization of the equity of RHI. These Pro Forma Consolidated Financial Statements include the effect of the completion of the RTO and RHI as the continuing entity for accounting purposes. RHI is considered to have acquired the assets and liabilities of ROI in a capital transaction:

- i. on January 1, 2017 in the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017;
- ii. on January 1, 2017 in the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2018; and
- iii. on March 31, 2018 Unaudited Pro Forma Consolidated Statement of Financial Position as of March 31, 2018.

As the acquirer for accounting purpose, RHI's net assets are included in the Pro Forma Consolidated Financial Statements at their carrying amounts. RHI's related party receivable from ROI of \$159,034 is eliminated upon the RTO.

The fair value of net identifiable assets of ROI acquired by RHI is as follows:

	At May 15, 2018
Cash and cash equivalents	\$ 2,027
Trade and other payables	(11,800)
	\$ (9,773)

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. In accordance with IFRS 2, the amount assigned to the RTO costs in the Unaudited Pro Forma Consolidated Financial Statements is US\$12,123,727, being the difference between the estimated fair value of ROI shares prior to the RTO, less the fair value of the net assets acquired of the ROI, plus transaction costs. The fair value of 4,732,011 ROI shares outstanding prior to the RTO of C\$3.25 per share is determined based on the share price of ROI's private placement in July 2018.

RUBICON ORGANICS INC.**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited Pro Forma Consolidated Statement of Financial Position as of March 31, 2018, the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the three months ended March 31, 2018 and the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017

Expressed in USD

	At May 15, 2018
Shares of ROI on RTO	\$ 11,943,954
Less: fair value of net assets acquired of ROI	(9,773)
	<u>11,953,727</u>
RTO Transaction Costs:	
Professional fees	170,000
	<u>\$ 12,123,727</u>

Note: The fair value of ROI shares of C\$3.25 was converted to US dollars using the May 15, 2018 Bank of Canada FX rate of 1.2876.

5. LOSS PER SHARE

The basic and diluted loss per share based on the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2017 and for the three months ended March 31, 2018 is \$0.54 and \$0.06, respectively.

6. INCOME TAX

Management anticipates that the new company will be subject to a statutory income tax rate of 27%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

[See attached]

RUBICON ORGANICS INC.
(FORMERLY WEST COAST LAND CORPORATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2017 and 2016
August 17, 2018

INTRODUCTION

This management discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Rubicon Organics Inc. (“**ROI**” or the “**Company**”) is for the years ended December 31, 2017 and 2016. It is supplemental to, and should be read in conjunction with the Company’s audited financial statements including the accompanying notes for the year ended December 31, 2017 and 2016 (the “**Financial Statements**”). The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the Canadian Securities Administrators’ System for Electronic Document Analysis and Retrieval (“**SEDAR**”) website at www.sedar.com. This discussion covers the year ended December 31, 2017, and the subsequent period up to the date of August 17, 2018.

Throughout this document the terms we, us, our, the Company and ROI refer to Rubicon Organics Inc. and its subsidiaries in the year.

Additional information about the Company can be requested from Ms. Margaret Brodie, Chief Financial Officer at the mailing address of Suite 505 – 744 West Hastings Street, Vancouver, BC, V6C 1A5, Canada.

All figures in this MD&A are in United States Dollars unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company’s plans, objectives or goals, including words to the effect that the Company or management of the Company (“**Management**”) expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as “believes”, “if”, “expects”, “estimates”, “may”, “could”, “should”, “will”, “intends” and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company’s expectations of current financial resources being sufficient to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company’s ability to successfully execute its plans and intentions; (vi) the Company’s ability to obtain financing at reasonable terms though the sale of equity and/or debt commitments; (vii) the Company’s ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company’s competitors; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in the United States and Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company’s ability to continue as a going concern; risk that the Company will not obtain or retain any relevant

licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the SEDAR website at www.sedar.com.

DESCRIPTION OF THE BUSINESS

The Company is a British Columbia registered company incorporated on May 15, 2015. On May 22, 2018 the Company changed its name from West Coast Land Corporation to Rubicon Organics Inc. The Company was incorporated as an investor vehicle into Rubicon Holdings Inc., ("**RHI**") for certain Canadian shareholders and in its first year of incorporation, performed certain management services for RHI. The Company's operations have been funded by investments and through related parties.

On May 15, 2018, the Company entered into a share exchange transaction (the "**Share Exchange**") with RHI whereby each shareholder of RHI, other than the Company, exchanged its common shares of RHI on a 1:1 basis with the common shares (the "**ROI Common Shares**") of the Company. Upon consummation of the Share Exchange, the Company became the sole shareholder of RHI. Further information is provided below.

The address of the Company's registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2.

OVERALL PERFORMANCE – INVESTMENT IN RUBICON HOLDINGS INC.

	RHI Common Shares owned by ROI #	Fair Value \$
December 31, 2016	4,716,386	7,074,580
December 31, 2017	4,716,386	9,432,772

The Company was incorporated for the sole purpose of investing in RHI. On inception in 2015 the Company issued 1,741,820 founders ROI Common Shares for nominal value and thereafter subscribed for and received 1,741,820 common shares of RHI (each, an "**RHI Common Share**") at nominal value.

In 2015, the Company completed a private placement of 1,951,400 units of the Company (each, an "**ROI Unit**") at \$1.00 per unit for gross proceeds of \$1,951,400 (the "**2015 Private Placement**"). Each ROI Unit consisted of one ROI Common Share and one ROI Common Share purchase warrant (each, an "**ROI Warrant**"). Each ROI Warrant was exercisable into one ROI Common Share at an exercise price of \$1.50 until July 1, 2016. In 2016, the expiry date of the ROI Warrants was extended until December 31, 2016. Immediately on closing of the 2015 Private Placement, the Company subscribed for and was issued 1,951,400 units of RHI (each, an "**RHI Unit**") for \$1.00 each. Each RHI Unit consisted of one RHI Common Share and one RHI Common Share purchase warrant (each, an "**RHI Warrant**") exercisable until July 1, 2016 at a price of \$1.50. In 2016, the expiry date of the RHI Warrants was extended until December 31, 2016.

In 2016, the Company's shareholders exercised 1,023,166 ROI Warrants for gross proceeds to the Company of \$1,534,749. Immediately thereafter, the Company exercised 1,023,166 RHI Warrants for an aggregate exercise price

of \$1,534,749 (the “**2016 Warrant Exercise**”). Funds in the amount of \$1,164,500 associated with the 2016 Warrant Exercise were transferred from the Company to RHI in January 2017.

As at December 31, 2017 the Company held 4,716,386 RHI Common Shares (2016 – 4,716,386). As at December 31, 2017, the RHI Common Shares were valued at \$2.00 each (2016 - \$1.50). The fair value of the RHI Common Shares at December 31, 2017 is the latest common share price in a private placement that RHI undertook from July 2017 until January 2018.

DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2017

- *Re-organization:* ROI and RHI undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for public listing:
 - On April 19, 2018, ROI incorporated West Coast Property Holdings Inc. and on May 11, 2018 purchased three United States real estate asset entities from RHI for \$9,267,962: the California land asset, Washington greenhouse assets and leased Washington extraction facility and equipment. ROI issued a note payable to RHI as consideration for the transaction.
 - On May 15, 2018, ROI entered into the Share Exchange with RHI whereby each shareholder of RHI, other than ROI, exchanged its RHI Common Shares on a 1:1 basis with ROI Common Shares. After consummation of the Share Exchange, ROI became the sole shareholder of RHI.
 - On May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options of ROI, on substantially similar terms to their original options of RHI.
 - On May 31, 2018 RHI transferred directly or indirectly Bridge View Greenhouses Ltd., Vintages Organic Cannabis Company Inc., 1113603 B.C Ltd. and West Coast Marketing Corporation to the Company.
- *Board Appointment:* On May 24, 2018, ROI appointed 5 new directors to the board of directors of the Company to join Jesse McConnell, who has been the sole director of ROI since 2015. The newly appointed directors include: Margaret Brodie, Eric Savics, John Pigott, David Donnan and Bryan Disher.
- *Related party loans:* In May 2018, Mr. Savics provided a \$500,000 revolving credit line to the Company at a rate of 10% to be repaid on completion of the next equity financing or by September 30, 2018. The Company drew down \$400,000 of this facility and it was repaid in July 2018. In June 2018, Mr. McConnell and Ms. Brodie each provided a C\$400,000 revolving credit line to the Company at a rate of 10% to be repaid on completion of the next equity financing or by September 30, 2018. The Company drew down C\$100,000 of Mr. McConnell’s facility and C\$400,000 from Ms. Brodie’s. Both parties were fully repaid in July 2018.
- *Brokered Financing:* On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 (the “**Offering**”). Each special warrant is exercisable, for no additional consideration and with no further action on the part of the holder, into units of ROI. Each unit will consist of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant of ROI will entitle the holder to purchase one Common Share at an exercise price of C\$4.20 each, until July 5, 2020, subject to adjustment in certain events. ROI paid total fees of C\$835,459, including agent fees, agent’s counsel fees, and similar other disbursements.
- *Non-Brokered Financing:* Concurrent with the above Offering, ROI has also completed a non-brokered private placement of a further 417,222 units of ROI (each comprised of one Common Share and one-half of one warrant) at C\$3.25 per unit for gross proceeds of approximately C\$1.4 million.

- **Stock Options:** On July 31, 2018, ROI issued an aggregate of 2,432,500 stock options to directors, employees, consultants and service providers. The options are exercisable at C\$3.25 per share for a period of five years expiring on July 31, 2023. ROI also issued 50,000 restricted share units to a consultant.
- **California Licensing Arrangement:** On August 15, 2018 the temporary state license of Kool Gildea Inc. expires. Kool Gildea Inc. is the California mutual benefit corporation with whom the Company has a licensing agreement to sell the 1964 Supply Co.TM brand. On August 14, 2018 the Company signed a packaging licensing agreement with CMX Distribution to take on the sale of 1964 Supply Co.TM branded product in California.

OUTLOOK

Subsequent to the Share Exchange, the Company became the ultimate parent in the Rubicon group of companies, thus its nature and outlook has changed to reflect the RHI business plan.

Canada: The Company plans to obtain its necessary licensing in Canada for the production of cannabis. Thereafter the Company intends to obtain a certified organic certification for its production and develop brands for the Canadian and export market.

California: The Company intends to continue to develop a brand presence through marketing efforts and relationships with state licensed distributors to achieve brand recognition and sales of 1964 Supply Co.TM consistently across the state.

Washington: The Company intends to lease its Ferndale facility and license its brands to a state licensed producer/processor whereby brand recognition can be achieved consistently on the west coast of North America.

Corporate: The Company is pursuing a listing on the Canadian Securities Exchange and is in the process of filing the necessary paperwork to obtain a listing.

The Company intends to continue to evaluate and assess new cannabis market opportunities in its existing jurisdictions and beyond. To support these activities, the Company is evaluating its options with respect to a securing additional financing whether through equity financing, debt or other alternative structures, including a strategic alliances.

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The following summary of financial information has been derived from the Financial Statements which have been prepared in accordance with IFRS.

	For the year ended December 31	For the year ended December 31
	2017 \$	2016 \$
REVENUE		
Revenue	18	—
Unrealized gains on financial asset at fair value through profit and loss	2,358,193	1,846,610
EXPENSES		
Consulting, salaries and wages	—	(508)
Professional fees	2,182	2,492
General and administrative expenses	1,651	5,861
	3,833	7,845
Income from operations	2,354,378	1,838,765

	For the year ended December 31	For the year ended December 31
OTHER INCOME		
Realized exchange income	23	1,998
Income before tax	2,354,401	1,840,763
Income tax expense	—	—
Net income and comprehensive income	2,354,401	1,840,763
Basic and diluted income per share	0.50	0.39

The year ended December 31, 2017 compared to the year ended December 31, 2016

The results of ROI are driven by the fair value of its investment in RHI. During the year ended December 31, 2017 the fair value of the investment in RHI increased by \$2,358,193 due to the growth of RHI's business in particular, the expansion into Canada and purchase of Bridge View Greenhouses Ltd., which led to an increased valuation and accretion in share price from \$1.50 at December 31, 2016 to \$2.00 at December 31, 2017. The change in fair value of the investment in RHI is recorded as an unrealized gain on financial assets. Other costs incurred were minor administrative costs incurred associated with maintaining the entity.

SELECTED ANNUAL INFORMATION

	For the years ended December 31,		
	2017	2016	2015
	\$	\$	\$
Total Revenue	2,358,211	1,846,610	2,177,255
Income from operations	2,354,378	1,838,765	1,749,833
Net income and comprehensive income	2,354,401	1,840,763	1,647,588
Income per share	0.50	0.39	0.45

	As at December 31,		
	2017	2016	2015
	\$	\$	\$
Total assets	9,434,167	8,239,837	3,714,035
Non-current financial liabilities	(156,805)	(1,318,805)	(168,638)
Total liabilities	(158,858)	(1,318,929)	(160,184)
Shareholders' equity	(9,275,309)	(6,920,908)	(3,545,396)

Refer to the analysis above with respect to investment in RHI for movements in profit and loss annual information. In each year the growth in total assets reflected the increased investment and value accretion of the RHI investment. In 2016, total assets also included cash of \$1,164,500 as a result of warrant exercises at December 31, 2016. The amount of the warrant exercise was also held as a liability payable to RHI which was repaid in January 2017. The remaining liability related to fees paid on behalf of ROI by RHI in 2016, refer to the "Transactions between Related Parties" section.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes quarterly financial results for the Company for the last eight quarters.

	2017				2016			
(\$'000)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	2,358	1	1	-	1,847	-	-	3

Net Profit (Loss)	2,357	(1)	(1)	(1)	1,844	(3)	(2)	1
Shares outstanding	4,716	4,716	4,716	4,716	4,716	3,693	3,693	3,693
Profit (loss) per share	0.50	(0.00)	(0.00)	(0.00)	0.39	(0.00)	(0.00)	0.00

The Financial Statements for the years ended December 31, 2017 and 2016 are ROI's initial financial reporting as a reporting issuer. The information provided for the eight previous quarters are provided to offer insight to the readers of this MD&A to show the growth in the Company's investment in RHI. On an annual basis, the Company's investment in RHI has been revalued with significant growth due to the development of RHI. In each of 2016 and 2017 a financing occurred in RHI in the fourth quarter on which the valuation was determined.

FOURTH QUARTER

The Financial Statements for the years ended December 31, 2017 and 2016 are the Company's initial financial reporting as a reporting issuer and thus this information is prepared on an annual basis. The impact of the fourth quarter has been addressed above under "Summary of Quarterly Results" where the valuation of the investment of RHI has led to a significant gain in the fourth quarter ended December 31, 2017.

LIQUIDITY

The Company monitors and manages its cash flows to access the liquidity necessary to fund its investment in RHI. As at December 31, 2017, the Company had cash available of \$1,395 (2016: \$1,165,257). The reduction in cash was due to the repayment of funds held on behalf of RHI for the warrant issuance in 2016 which were transferred to RHI in January 2017. The other funds used are in relation to minor administrative charges to maintain ROI.

The Company's historical operations have principally been funded through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. The Financial Statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Financial Statements. While there can be no assurance of continued ability to raise funds, Management anticipates success and cash profitability of the business through the production and sale of cannabis products in the next twelve months.

CAPITAL RESOURCES

The Company has no material contractual obligations.

GOING CONCERN

The Company is considered a development stage company and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offering in the cannabis industry and grow its revenue. The Financial Statements were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred gains from the increase in fair value of its investment in RHI through December 31, 2017, but has limited readily available cash to fund activity. Following the Share Exchange, ROI is the sole shareholder of RHI and as described earlier in this document has now taken on RHI's business and objectives.

To date, RHI's Consolidated Financial Statements for the year ended December 31, 2017 were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. RHI has incurred losses from inception through December 31, 2017 and, although it has begun to generate revenue during the past fiscal year, revenue is insufficient to cover the costs of operations, or to fund capital expenditures. As at December 31, 2017, RHI had an accumulated deficit of \$9,382,259 and incurred a net loss of \$4,474,761 for year then ended. At December 31, 2017 RHI had a working capital surplus of \$840,564.

Together with RHI, the Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations, to liquidate assets or obtain the necessary financing to meet its near term obligations such that it can repay its liabilities when they become due. Management believes that its current resources are sufficient to carry out the business plan to reach profitable operations. Notwithstanding this, under the right terms and in order to fund new growth opportunities, Management intends to continue its efforts to secure external financing through the issuance of equity and debt as a source of financing the operations of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company, or at all.

Subsequent to December 31, 2017, on January 25, 2018, 1,372,517 RHI Common Shares were issued as part of a financing which commenced in 2017 and completed its final tranche in January 2018 for total proceeds in 2018 of \$2,745,034. On February 13, 2018, 62,500 RHI Common Shares were issued at the Super Subscription Right price of \$1.60 per RHI Common Share. On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 and a concurrent non-brokered private placement for C\$1,355,972.

PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions that will materially affect the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Since incorporation, RHI has paid expenditures on behalf of ROI including professional, legal and administrative fees and was owed \$156,805 (2016 - \$154,305) at year end. In 2016 ROI held \$1,164,500 in trust for RHI as part of the 2016 Warrant Exercise. The funds were transferred to RHI in January 2017.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of ROI Common Shares without par value.

As at August 17, 2018 the Company has the following securities outstanding.

	Number of units	Exercise Price
Common Shares	33,152,605	
Special Warrants	3,658,820	
Stock Options:		
Expiring – December 17, 2020	1,375,000	US\$1.00
Expiring – March 21, 2021	24,000	US\$1.00
Expiring – June 30, 2021	90,000	US\$1.00
Expiring – August 17, 2021	500,000	US\$1.00
Expiring – January 12, 2022	80,000	US\$1.50
Expiring – July 31, 2022	290,000	US\$2.00
Expiring – November 15, 2022	5,000	US\$2.00
Expiring – January 21, 2023	52,000	US\$2.00
Expiring – July 31, 2023	2,432,500	C\$3.25
Total Stock Options	4,848,500	
Broker Warrants	183,431	C\$3.25
Warrants	208,611	C\$4.20

Restricted Share Units	50,000	
Warrants (underlying Special Warrants)	1,829,410	C\$4.20
Fully Diluted Shares Outstanding⁽¹⁾	43,931,377⁽¹⁾	

(1) Including 3,658,820 ROI Common Shares issuable upon the exercise of the outstanding Special Warrants

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

(i) Valuation of share-based transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the notes to the Financial Statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the year ended December 31, 2017, amendments to IAS 7 – *Statement of Cash Flows* and IAS 12 – *Income Taxes* came into effect. These amendments did not have a significant impact on the Company’s financial reporting.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these Financial Statements are disclosed below. Management anticipates that all the pronouncements will be adopted in the accounting policy for the first period beginning after the effective date of the pronouncement.

- IFRS 9 – *Financial Instruments* (“**IFRS 9**”)

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Under IFRS 9 the Company is required to value its investment in RHI at fair value in accordance with IFRS 13 – *Financial Instruments; Fair Value Measurement* (“**IFRS 13**”), which is in line with the Company’s current valuation method, therefore there are no changes expected other than additional disclosure.

- IFRS 2 – *Share-based payments* (“**IFRS 2**”)

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company has preliminarily determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

FINANCIAL INSTRUMENTS

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Investment in RHI	Fair value through profit or loss
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Due to RHI	Other liabilities

The fair values of amounts due from related parties, accounts payable and accrued liabilities, and amounts due to RHI approximate their carrying amounts due to the short-term maturity of those instruments.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to level 1 inputs such as quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using level 2 inputs, such as using a recent arm’s length market transaction, discounted cash flow analysis or other valuation models.

The Company’s most significant financial instrument is its investment in RHI which had an unrealized gain on financial asset at fair value through the profit and loss of \$2,358,193 for the year ended December 31, 2017 (\$1,846,610 for the year ended December 31, 2016). The remaining financial instruments relate to cash, accounts payable and due to RHI and are incurred in the normal course of operations with minor impacts on the statement of income and comprehensive income.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its’ cash with institutions of high credit worthiness.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. To date the Company has relied on RHI to settle its cash obligations. In July 2018 the Company raised funds from equity as described in the Financial Statements. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional shares to ensure that there is cash available.

All current financial liabilities, being accounts payable and accrued liabilities, are payable within a 90-day period and are to be funded from cash or related parties.

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as Level 1 financial instruments. The Company's investment in RHI is classified as a Level 3 financial instrument. During the year, there were no transfers of amounts between levels.

Refer to section entitled "*Overall Performance – Investment in Rubicon Holdings Inc.*" with respect to the fair value determination of the investment in RHI.

CAPITAL MANAGEMENT

It is Management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings and related party credit to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. Other than as described herein, there have been no changes to the Company's circumstances during the year ended December 31, 2017.

RISKS AND UNCERTAINTIES

The Company is pursuing commercial ventures in the cannabis business that encompass the biotechnology and agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company remains in pilot scale and has limited revenue from operations. The Company continues to have limited capital resources and relies upon debt and/or equity financings to make new investments and to fund the operations of the Company. Investing in the ROI Common Shares involves significant risks. An investor should carefully consider the summary of risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in the Company's prospectus dated October 2, 2018, including the documents incorporated by reference therein. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the ROI Common Shares could decline, and you could lose part or all of your investment.

Operational Risks and Other Significant Factors

Cannabis is listed as a Schedule 1 drug under the federal Controlled Substances Act. For this reason, the federal government could shut down the operations of the Company at any time. Under the Obama Administration, the Department of Justice released a memo on August 29, 2013 which issued guidance to federal prosecutors on certain enforcement priorities. These priorities included preventing the distribution of cannabis to minors, preventing revenue

from sales going to criminal enterprises, preventing diversion of product between states etc. The memorandum put the onus for all other regulation onto the individual states, indicating that only when the prioritized harms materialized would strict federal enforcement prevail. In January 2018, the Attorney General of the United States rescinded this memorandum. While federal prosecutors have the authority to prosecute business and individuals engaged in the production, processing and sale of cannabis in states such as Washington and California, there has been no evidence of such enforcement to date as doing so would cause serious economic hardship for states dependent on cannabis tax revenues. Accordingly, this is a substantial risk and there is no guarantee that the Company will be successful in operating without interference or prohibition by the federal government.

For further information with respect to risks affecting the Company and its operations, please refer to the section entitled “*Risk Factors*” within the Prospectus to which this MD&A is appended.

CONFLICTS OF INTEREST

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

ADDITIONAL INFORMATION

Additional information related to the Company is available on the Company’s website at www.rubiconorganics.com and through its public filings on www.sedar.com.

RUBICON ORGANICS INC.
(FORMERLY WEST COAST LAND CORPORATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2018
October 2, 2018

INTRODUCTION

This management discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Rubicon Organics Inc. (“**ROI**” or the “**Company**”) is for the three and six months ended June 30, 2018. It is supplemental to and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements including the accompanying notes for the three and six months ended June 30, 2018 (the “**Interim Financial Statements**”) and the audited financial statements for the year ended December 31, 2017. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements including *IAS 34, Interim Financial Reporting*. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the SEDAR website at www.sedar.com. This discussion covers the three and six months ended June 30, 2018, and the subsequent period up to the date of October 2, 2018.

Throughout this document the terms we, us, our, the Company and ROI refer to Rubicon Organics Inc. and its subsidiaries during the three and six months.

Additional information about the Company can be requested from Ms. Margaret Brodie, Chief Financial Officer at the mailing address of Suite 505 – 744 West Hastings Street, Vancouver, BC, V6C 1A5, Canada.

All figures in this MD&A are in United States Dollars unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company’s plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as “believes”, “if”, “expects”, “estimates”, “may”, “could”, “should”, “will”, “intends” and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company’s expectations of current financial resources being sufficient to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company’s ability to successfully execute its plans and intentions; (vi) the Company’s ability to obtain financing at reasonable terms through the sale of equity and/or debt commitments; (vii) the Company’s ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company’s competitors; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in the United States and Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company’s ability to continue as a going concern; risk that the Company will not obtain or retain any relevant

licenses; technological and operational difficulties encountered in connection with the Company's activities; changing foreign exchange rates and other matters discussed in this MD&A.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

DESCRIPTION OF THE BUSINESS

ROI is a British Columbia registered company incorporated on May 15, 2015. On May 22, 2018 ROI changed its name from West Coast Land Corporation to Rubicon Organics Inc. ROI was incorporated as an investor vehicle into Rubicon Holdings Inc, ("**RHI**") for certain Canadian shareholders and in its first year of incorporation, performed certain management services for RHI.

The address of the Company's registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2.

During April and May 2018, ROI and RHI undertook a re-organization (the "**Re-Organization**") whereby pursuant to a share exchange, RHI completed a reverse takeover ("**RTO**") of ROI.

Re-Organization

As part of the Re-Organization, on May 15, 2018, ROI entered into a share exchange transaction (the "Share Exchange") with RHI whereby each shareholder of RHI, other than ROI, exchanged its common shares in RHI on a 1:1 basis for common shares of ROI. Furthermore, on May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in RHI.

After the Re-Organization, the former shareholders of RHI own all of the common shares in ROI. Consequently, the Re-Organization has been accounted for as an RTO and the condensed consolidated interim financial statements of ROI present the historical results, assets and liabilities of the Company on the consummation of the reverse take over as if RHI was the acquirer.

The value of net identifiable assets of ROI (legal parent) acquired by RHI (legal subsidiary) is as follows:

At May 15, 2018	\$	
Cash		1,737
Accounts payable and accrued liabilities		(12,824)
		<u>(11,087)</u>

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all the goods or services received in return. In accordance with IFRS 2, the amount assigned to the acquisition transaction costs in the Interim Financial Statements is \$12,114,075, being the difference between the estimated fair value of ROI shares prior to the RTO and the fair value of the net assets acquired of the Company plus transaction costs. The fair value of the 4,732,011 outstanding ROI common shares prior to the RTO of C\$3.25 per common share is determined based on the share price of the Company's private placement in July 2018.

	At May 15, 2018
Fair value of shares of ROI	11,943,954
Less: fair value of net assets acquired of ROI	(11,087)
Subtotal before transaction costs	11,955,041
RTO transaction costs:	
Professional fees	170,000
Forgiveness of intercompany debt to ROI	(10,966)
Total RTO costs	12,114,075

About the Company

The Company's business plan is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in Washington and California and is planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

Effective May 15, 2018 as a result of the RTO, RHI was considered the continuing entity for accounting purposes. The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. ROI's subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings, Inc.	WA, United States	100%
West Coast Property Holdings, Inc.	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Rubicon California LLC	CA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Red Dog Operations, Inc.	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%
Kool Gildea, Inc ⁽²⁾	CA, United States	0%

11. The Company controls a licensed cannabis company, Vega Ventures LLC ("Vega"), in Washington state by way of a contractual agreement. Vega is fully consolidated in these condensed consolidated interim financial statements in accordance with IFRS 10.
12. On January 30, 2018, an agreement (the "Agreement") was executed between the Company and Kool Gildea, Inc ("KG Inc"), a California non-profit mutual benefit corporation granting the Company the power to direct relevant activities of KG Inc, in particular the appointment and removal of governing members. As a result of this control, KG Inc is consolidated in these condensed consolidated financial statements in accordance with IFRS 10.

Canada

As at June 30, 2018 the Company wholly owns Bridge View Greenhouses Ltd. ("**Bridge View**") which has a 20 acre parcel of land with a 125,000 square-foot greenhouse facility located in Delta, British Columbia ("**BC**"). The greenhouse facility is undergoing a retro-fit to comply with Health Canada standards in anticipation of licensing in 2018. Vintages Organic Cannabis Company Inc. is a late stage applicant under Health Canada's Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") for licensing to produce and sell cannabis in Canada. Upon

completion, the facility will be capable of producing approximately 11,000 kilograms per year of dried cannabis. The Company's planned phase II and III expansion would increase the facility's cannabis production capacity to a total of 67,000 kilograms per year. The Company intends to complete the organic certification process with the Fraser Valley Organic Producers Association and will be one of only a few LPs in Canada to provide certified organic cannabis.

United States

In the United States, ROI does not directly hold cannabis licenses or otherwise produce, process or sell cannabis product. The Company and its affiliates lease or sublease turnkey facilities and license brands to one or more state-licensed producer and processor licensees in California and Washington. ROI's ancillary involvement in the cannabis sector in the United States is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of California and Washington.

California

In California, the Company licenses its lifestyle brand, 1964 Supply Co.TM to a state-licensed operator. The Company is focused on rapidly growing its brand presence in California and has agreements in place with distributors in both Northern and Southern California.

As at June 30, 2018 the Company also owned 3 acres of land in Greenfield, California with local municipal licensing established for development of a cannabis facility.

Washington

On November 20, 2014, the Company acquired 16.6 acres of industrial land located in Ferndale, Washington. In the last quarter of 2017, the Company completed the construction of a 40,000 square-foot high-tech, venlo-style greenhouse on the property (the "**Ferndale Greenhouse**"). The Company intends to lease the Ferndale Greenhouse to an I-502 Tier 3-licensed tenant (the "**Greenhouse Tenant**") who will also license the Company's brands.

In Washington, the Company licenses its Doctor & Crook Co.TM brand and is leasing a turnkey cannabis oil extraction facility to a state licensed processor. In 2016, the Company entered an option agreement with Vega, a third party I-502 licensed entity whereby the Company had the right to designate, subject to Washington State Liquor and Cannabis Board approval, another owner of Vega. To the date of this MD&A, the Company has not exercised this option. While Vega is not a legal subsidiary, given the option agreement, it is consolidated for financial reporting purposes. The Company subleases a cannabis oil extraction facility in Bellingham to Vega and also has a brand licensing agreement in place which allows Vega to market and sell cannabis products across the State of Washington under the Company's wholly-owned brand, Doctor & Crook Co.TM. During 2017 all revenue from sublease of extraction facilities and related equipment and licensing brand and the sale of non-cannabis materials including packaging and processing were derived from Vega.

KEY DEVELOPMENTS IN THE THREE AND SIX MONTHS TO JUNE 30, 2018

Canada

On January 17, 2018, the Company received its Notice of Confirmation of Readiness under Health Canada's ACMPR program. Throughout the first half of 2018 and until the date of this MD&A, the Company has continued to retrofit the BC greenhouse facility for cannabis licensing and production. The Company anticipates to complete the retrofit and to obtain organic certification and commercial production approval for sale in the first half of 2019.

California

On January 30, 2018, the Company entered into an agreement with KG Inc. for total consideration of \$620,000, which gives it the right to direct certain activities of KG Inc. including the appointment and removal of governing members. As a result, in the first quarter of 2018 the Company assessed that it was appropriate to consolidate KG Inc. for its IFRS consolidated financial statements. In April 2018, KG Inc. obtained its temporary state license to distribute

cannabis in California and is licensed by the Company to sell the 1964 Supply Co.TM brand. In the second quarter of 2018, the Company entered into distribution agreements covering both northern and southern California.

Washington

The Washington 40,000 square-foot greenhouse facility has completed its initial commissioning and is in the process of being leased to a state licensed producer/processor. Refer to *'Financial Review and Results of Operations'* for information on the results of the Vega business.

Corporate

Financing: On January 25, 2018, 1,372,517 common shares of the Company (the **"RHI Common Shares"**) were issued as part of the 2017 Private Placement for total proceeds of \$2,745,034. The 2017 Private Placement commenced in July 2017, where 4,862,372 RHI Common Shares were issued at a price of \$2.00 per share for gross proceeds of \$9,267,518, of which \$6,442,484 closed in 2017. Certain early shareholders were eligible for a Super Subscription Right (**"SSR"**) which entitled them to a 20% discount on the next financing greater than \$1,000,000. On February 13, 2018, 62,500 RHI Common Shares were issued pursuant to the SSR price of \$1.60 per RHI Common Share to existing shareholders issuable under the Company's investor rights agreement. Upon completion of the RTO, effective May 2018, all of the RHI common shares and options were converted to ROI common shares and options.

Stock Options: On January 21, 2018, the Company issued an aggregate of 52,000 stock options to employees. The stock options are exercisable at US\$2.00 per RHI Common Share for a period of five years.

DEVELOPMENTS SUBSEQUENT TO JUNE 30, 2018

- **Brokered Financing:** On July 5, 2018, ROI completed a brokered private placement offering of 3,635,744 special warrants for aggregate gross proceeds of CDN\$11,816,168 (the **"Offering"**). Each special warrant is exercisable, for no additional consideration and with no further action on the part of the holder, into units of ROI. Each unit will consist of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant will entitle the holder to purchase one Common Share at an exercise price of \$4.20 per Common Share until July 5, 2020, subject to adjustment in certain events. ROI paid total fees of CDN\$835,459, including agent fees, agent's counsel fees, and similar other disbursements.
- **Non-Brokered Financing:** Concurrent with the above Offering, ROI has also completed a non-brokered private placement of a further 417,222 units of ROI (each comprised of one Common Share and one-half of one warrant) at CDN\$3.25 per unit for gross proceeds of approximately CDN\$1.4 million.
- **Stock Options:** On July 31, 2018, ROI issued an aggregate of 2,432,500 stock options to directors, employees, consultants and service providers. The options are exercisable at C\$3.25 per share for a period of five years expiring on July 31, 2023. ROI also issued 50,000 restricted share units to a consultant.
- **California Licensing Arrangement:** On August 15, 2018 the temporary state license of KG Inc. expired. On August 14, the Company signed a packaging licensing agreement with CMX Distribution to take on the sale of 1964 Supply Co.TM branded product in California.
- **Preliminary Prospectus:** On August 17, 2018 the Company filed its Preliminary Prospectus with the British Columbia Securities Commission ("BCSC") to qualify the distribution of 3,658,820 common shares and 1,829,410 common share purchase warrants underlying the Special Warrants issued as part of the July 2018 Offering. The Preliminary Prospectus was receipted by the BCSC on August 21, 2018. On August 17, 2018, the Company also applied to the Canadian Securities Exchange ("CSE") for the public listing of its common shares.
- **Stock Options:** On September 24, 2018, ROI issued an aggregate of 465,000 stock options to employees and service providers. The options are exercisable as follows: 115,000 stock options to an employee at an exercise price C\$3.25 per share for a period of five years expiring on September 24, 2023 and 350,000 stock options

to service providers at an exercise price C\$8.15 per share for a period of five years expiring on September 24, 2023.

OUTLOOK

Canada: The Company plans to obtain its necessary licensing in Canada for cannabis production. Thereafter the Company intends to obtain the organic certification for its cannabis production and develop brands for the Canadian and export markets.

California: The Company intends to continue to develop a brand presence through marketing efforts and relationships with state licensed distributors to achieve brand recognition and sales of 1964 Supply Co.TM consistently across the state.

Washington: The Company intends to lease its Ferndale facility and license its brands to a state licensed producer/processor whereby brand recognition can be achieved consistently on the west coast of North America.

Corporate: The Company is pursuing a listing on the Canadian Securities Exchange and is in the process of filing the necessary paperwork to obtain a listing.

The Company intends to continue to evaluate and assess new cannabis market opportunities in its existing jurisdictions and beyond. To support these activities, the Company is evaluating its options with respect to securing additional financing whether through equity financing, debt or other alternative structures, including strategic alliances.

QUARTERLY HIGHLIGHTS

The following table sets forth select financial information of the Company for the three and six months ended June 30, 2018 and 2017:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Sales	522,743	146,642	931,344	287,550
Loss from operations	(1,755,301)	(1,292,909)	(3,601,131)	(2,150,305)
Net loss	(14,590,821)	(1,297,727)	(16,471,761)	(2,165,797)
Total comprehensive loss	(14,546,054)	(1,297,727)	(16,468,334)	(2,165,797)
Loss per share	(0.44)	(0.04)	(0.50)	(0.7)

	As at June 30,	
	2018	2017
	\$	\$
Current assets	3,957,048	2,618,289
Total assets	21,835,250	17,471,875
Current liabilities	4,136,265	1,777,725
Non-current liabilities	2,194,489	2,391,391
Total liabilities	6,330,754	4,169,116
Shareholders' equity	15,504,496	13,302,759

There were no distributions or cash dividends per share.

The table below summarizes the Company's cash flows for the six months ended June 30, 2018 and 2017:

	For the six months ended June 30,	
	2018	2017
	\$	\$
Net cash provided (used in)		
Operating activities	(2,951,685)	(1,968,840)
Investing activities	(3,082,013)	(2,042,356)
Financing activities	6,700,356	1,636,883
Effect of foreign exchange on cash	17,948	-
Increase (decrease) in cash	684,606	(2,374,313)
Cash beginning of the period	2,328,458	2,704,814
Cash end of the period	3,013,064	330,501

In the first half of 2018, the Company has been focused on retro-fitting its greenhouse asset in Canada, commissioning its Washington greenhouse and building its team both in California and Canada in anticipation of the next phase of its business plan to cultivate cannabis, lease facilities and provide ancillary services to state licensed cannabis producers. Through its Washington and California State licensed producers and processors, the Company grew sales by \$643,794 to \$931,344 in the six-month period ended June 30, 2018 as compared to the same period of the prior year. This was due to more consistent monthly sales in Washington, as well as the commencement of sales in the California market. Product sales by the licensed entities consist of packaged flower, pre-rolled joints, packaged CO2 oil and cannabis concentrates. The loss from operations was larger due to personnel ramp up, marketing costs and other costs incurred in the business through the development of the assets, on-going development of the business plan and professional services fees. Net loss is significantly increased due to the costs associated with the RTO of \$12,114,075 (please refer to 'Description of the Business' section above for further details on the RTO).

The Company's total assets grew to \$21,835,250 at June 30, 2018 from \$17,471,875 at December 31, 2017, reflective of the Company's current focus on expansion and greenhouse development with the commissioning of the Washington facility and retro-fit work on the Bridge View facility in Delta, BC.

The Company's operations continue to be funded through equity financing. In January 2018, the Company received \$2,704,198 of net proceeds representing the final tranche of the 2017 private placement, which commenced in July 2017 and raised an aggregate of \$9,267,518. As part of the brokered and non-brokered private placement completed on July 5, 2018, total proceeds of C\$3,127,350 were received prior to June 30, 2018.

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The following summary of financial information has been derived from the Interim Financial Statements of ROI which have been prepared in accordance with IFRS.

	For the three months ended		For the six months ended	
	June 30 2018	June 30 2017	June 30 2018	June 30 2017
	\$	\$	\$	\$
REVENUE				
Sales	522,743	146,642	931,344	287,550
Cost of sales	398,255	144,179	701,335	279,926
Loss on inventory write-off	12,094	—	116,725	—
Gross profit	112,394	2,463	113,284	7,624
EXPENSES				
Consulting, salaries and wages	575,587	480,389	1,242,955	809,970
Share-based compensation	80,355	437,302	209,571	731,571
General and administrative expenses	370,050	182,690	785,521	270,725
Sales and marketing expense	142,587	82,319	490,458	157,001
Professional fees	607,765	80,385	824,839	130,082
Depreciation	33,462	32,287	64,590	58,580
Amortization of intangibles	57,889	—	96,481	—
	1,867,695	1,295,372	3,714,415	2,157,929
Loss from operations	(1,755,301)	(1,292,909)	(3,601,131)	(2,150,305)
OTHER EXPENSE				
Interest on loans	25,315	—	50,619	—
Interest on capital lease obligation	—	2,146	—	7,912
Realized foreign exchange	115,380	(1,047)	125,186	3,861
Impairment of land	580,750	—	580,750	—
Reverse takeover costs	12,114,075	—	12,114,075	—
	12,835,520	1,099	12,870,630	11,773
Loss before income tax	(14,590,821)	(1,294,008)	(16,471,761)	(2,162,078)
Income tax expense	—	3,719	—	3,719
Net loss	(14,590,821)	(1,297,727)	(16,471,761)	(2,165,797)
Exchange rate differences on translation of foreign operations	44,767	—	3,427	—
Total comprehensive loss	(14,546,054)	(1,297,727)	(16,468,334)	(2,165,797)
Basic and diluted loss per share	(0.44)	(0.04)	(0.50)	(0.07)

The three and six month periods ended June 30, 2018 compared to the three and six month periods ended June 30, 2017

Cost of goods sold as a percentage of sales has improved, with the Company's gross margin increasing from 3% to 12.16% in line with expectations. This improvement was driven by bulk discounts earned from purchasing larger quantities of input product and streamlining of production and packaging processes. This was slightly offset by inventory write-offs of packaging, where there were changes in compliance rendering some packaging obsolete, and cannabis product due to moisture loss in the ordinary course of business. In the future, the cost of sales is expected to further decrease where margins can be better controlled by consistent long-term supply arrangements and economies of scale.

Operating expenses have increased year-over-year with the ramp-up of operations, including the build-out of teams operating in three jurisdictions (California, Washington and Canada) and brands launched in two markets. Consulting, salaries and wages costs also increased significantly, as headcount has increased with the expansion planned for 2018 to deliver on the business plan. Other significant costs include general and administrative costs, sales and marketing expenses and professional fees, all due to increased activity and business development at Bridge View, in Washington and in California. The Company anticipates that salaries expenses will continue to increase through 2018 with the expansion of the corporate office and sales and operational teams in each jurisdiction. Marketing costs throughout 2018 are also likely to increase as a result of increased marketing efforts in each jurisdiction.

Other expenses have increased significantly, due to the costs associated with the RTO (please refer to the 'Description of the Business' section above for further details on the RTO).

The other comprehensive income (loss) with respect to foreign currency translation difference varies at each reporting date given the fluctuations between the United States Dollar and the Canadian Dollar. This foreign currency translation difference includes the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency into Canadian Dollars. For the three and six months ended June 30, 2018, the impact of the foreign currency translation differences was a comprehensive gain of \$44,767 and \$3,427 (June 30, 2017 – nil).

SUMMARY OF QUARTERLY RESULTS

The following table summarizes quarterly financial results for ROI for the last eight quarters.

(\$000's)	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	523	409	202	192	147	141	97	140
Net Loss	(14,591)	(2,034)	(1,388)	(921)	(1,298)	(868)	(1,096)	(976)
Shares outstanding	32,735	32,735	31,000	28,177	27,561	26,507	26,463	23,440
Profit (loss) per share	(\$0.45)	(\$0.07)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.04)

The consolidated financial statements for the years ended December 31, 2017 and 2016 are the Company's initial financial reporting as a reporting issuer. The information provided for the quarters included in those periods are provided to offer insight to the readers of this MD&A to show the growth in the Company, increased activity and financing.

The Company commenced sales in Washington Q3 of 2016 and they have consistently grown since. In Q3 2017, the Company commenced sales of 1964 Supply Co.™ branded packaging in California on a pilot scale. Both Washington and California operations were in and remain in pilot scale during this time. The net loss of the business has grown as the team and activity of the Company has grown with expansion of the California and Canadian teams in 2017, increased professional services being obtained and the impact of share-based payment expense (non-cash) on the quarterly results. For Q2 2018, refer to the results analysis under 'Financial Review and Results of Operations'.

LIQUIDITY

As at June 30, 2018, the Company had cash available of \$3,013,064 (December 31, 2017: \$2,328,458) and negative working capital of (\$179,217) (December 31, 2017: positive \$840,564). On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 and a concurrent non-brokered private placement for C\$1,355,972 significantly improving its overall cash position. The Company remains in start-up operations as it launches its brands in Washington and California and prepares for licensing in Canada. Operating activities in the six months ended June 30, 2018 used \$2,951,685 (June 30, 2017 used: \$1,968,840) largely driven by the costs associated with the RTO, consulting, salaries and wages and other operating expenses.

The most significant costs in the first half of 2018 related to the non-cash transaction associated with the RTO totalling \$12,114,075 (June 30, 2017 - nil), the investment in property, plant and equipment largely for the retro-fit of the Bridge View facility totaling \$3,095,858 as compared with only \$1,905,148 in the same period in 2017 which was in relation to the Washington facility development.

During the six months ended June 30, 2018, the Company received \$6,700,356 in net proceeds from financings as compared to \$1,636,883 in the same quarter in 2017.

The Company's historical operations and development have principally been funded through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. The consolidated financial statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements. While there can be no assurance of continued ability to raise funds, management of the Company ("Management") anticipates success and cash profitability of the business through the production and sale of cannabis products in the next twelve months.

CAPITAL RESOURCES

The Company has the following contractual obligations as at June 30, 2018:

(\$000's)	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Mortgage ¹	3,297	172	514	343	2,269
Operating leases ²	70	62	8	-	-
Total contractual obligations	3,367	234	522	343	2,269

¹ Relates to the Delta Facility Mortgage. Includes principle and interest obligations

² Operating leases relate to rental of Washington extraction facility, California distribution facility and office and the Vancouver head office.

The Company expects to settle these contractual obligations through funds from revenue and existing cash.

The Company has remaining capital expenditures of C\$2.6M to complete the optimization of the Delta Facility. With the retrofits completed to the date of these financial statements, the Delta Facility is currently ready to begin cultivation once the License to Cultivate is received from Health Canada. As such, the remaining capital required to optimize the Delta Facility will be financed through operating cash flows.

GOING CONCERN

The Company is considered a development stage company and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offering in the cannabis industry and grow its revenue. The Interim Financial Statements were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the

foreseeable future. The Company has incurred losses from inception through June 30, 2018 and, although it has begun to generate revenue during the past fiscal year, revenue is insufficient to cover the costs of operations, or to fund capital expenditures. As at June 30, 2018, the Company has an accumulated deficit of \$25,854,020 and incurred a net loss of \$16,471,761 for the six months ended June 30, 2018. The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations, to liquidate assets or obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. Management believes that its current resources are sufficient to carry out the business plan to reach profitable operations. Notwithstanding this, under the right terms and in order to fund new growth opportunities, management intends to continue its efforts to secure external financing through the issuance of equity and debt as a source of financing the operations of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company, or at all.

On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 and a concurrent non-brokered private placement for C\$1,355,972.

PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions that will materially affect the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

In May 2018, Mr. Savics, a director of the Company provided a \$500,000 revolving credit line to the Company at a rate of 10% to be repaid on the earlier of the completion of the next equity financing, or by September 30, 2018. The Company drew down \$400,000 of this facility and it was fully repaid in July 2018. Total interest owing to the director at June 30, 2018 was \$3,397.

In June 2018, Mr. McConnell, CEO and director of the Company and Ms. Brodie, CFO and director of the Company, each provided C\$800,000 revolving credit lines to the Company at a rate of 10% to be repaid on the earlier of completion of the next equity financing, or by September 30, 2018. The Company drew down C\$500,000 from the facility. The officers were fully repaid in July 2018. Total interest owing to both executives at June 30, 2018 was \$1,687.

As at June 30, 2018, \$188,115 (December 31, 2017 - \$107,717) was owed to officers of the Company for goods purchased on behalf of the Company.

Non-current related party transactions at December 31, 2017 related to amounts owing from ROI (\$157,224) and KG Inc (\$87,355) both of which are included in the consolidation as at June 30, 2018.

Compensation of key management personnel

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

	June 30, 2018	June 30, 2017
	\$	\$
Salaries	215,000	215,000
Share based compensation	76,393	172,553
	<u>291,393</u>	<u>387,553</u>

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of ROI Common Shares without par value.

As at October 2, 2018 the Company has the following securities outstanding.

	Number of units	Exercise Price
Common Shares	33,152,605	
Special Warrants	3,658,820	
Stock Options:		
Expiring – December 17, 2020	1,375,000	US\$1.00
Expiring – March 21, 2021	24,000	US\$1.00
Expiring – June 30, 2021	90,000	US\$1.00
Expiring – August 17, 2021	500,000	US\$1.00
Expiring – January 12, 2022	80,000	US\$1.50
Expiring – July 31, 2022	290,000	US\$2.00
Expiring – November 15, 2022	5,000	US\$2.00
Expiring – January 21, 2023	52,000	US\$2.00
Expiring – July 31, 2023	2,432,500	C\$3.25
Expiring – September 24, 2023	115,000	C\$3.25
Expiring – September 24, 2023	350,000	C\$8.15
Total Stock Options	5,313,500	
Broker Warrants	183,431	C\$3.25
Warrants	208,611	C\$4.20
Restricted Share Units	50,000	
Warrants (underlying Special Warrants)	1,829,410	C\$4.20
Fully Diluted Shares Outstanding ⁽¹⁾	44,396,377⁽¹⁾	

(1) Including 3,658,820 ROI Common Shares issuable upon the exercise of the outstanding Special Warrants

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Interim Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Interim Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management considers the policies described in Note 3 of the audited consolidated Financial Statements for the year ended December 31, 2017, to be the most critical in understanding the judgments that are involved in the preparation of the Company's Interim Financial Statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the period ended June 30, 2018 the following standards came into effect:

- IFRS 9 – *Financial Instruments* (“**IFRS 9**”)

The Company has adopted IFRS 9 effective January 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value.

The Company will continue to hold all loans and other liabilities at amortized cost and cash and investments at fair value through profit or loss. However, the Company will no longer be able to apply the cost exception for certain investments previously permitted under IAS 39. The Company has elected not to restate prior period numbers.

Financial Instruments	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost	Amortized cost
Investments	Other financial assets	Available for sale	Fair value through profit or loss

The Company’s investment in Thirty Three Health is held at fair value using level 3 inputs under IFRS 13. Management has performed an assessment of this change in policy and noted there is no financial impact on the Company’s financial statements for the three and six months ended June 30, 2018 in respect of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers* (“**IFRS 15**”)

IFRS 15 is effective for the Company for the three and six months ended June 30, 2018, and replaces IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company has elected to apply the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. With no change to the amount or timing of revenue recognized, no adjustment is required under this approach.

The Company disaggregates revenue from contracts with customers according to the geographic location of the revenue.

- IFRS 2 – *Share-based payments* (“**IFRS 2**”)

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes.

The standard requires entities to recognise all share-based payment awards in the financial statements based on fair value when the goods and services are received, which is determined at the grant date for share-based payments issued

to employees. The Company does not have any cash-settled share-based payment transactions, nor share-based payment transactions with cash alternatives. For equity-settled awards, the Company measures the fair value of goods or services received and recognises a corresponding increase in equity. If the Company cannot reliably estimate the fair value of the goods or services received, the Company must measure its fair value indirectly using the fair value of the equity instruments granted.

This new standard does not bring about any changes to the financial position or performance of the Company other than additional disclosure.

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

- IFRS 16 – *Leases* (“**IFRS 16**”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The impact on the Company’s Interim Financial Statements of adopting this standard has not yet been determined.

FINANCIAL INSTRUMENTS

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Accounts receivable and other assets	Loans and receivable
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Promissory note payable	Other liabilities
Due to related party	Other liabilities
Mortgage	Other liabilities
Investment	Fair value through profit or loss

The fair values of accounts receivable, amounts due from related parties, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments. All of these financial instruments have been incurred in the normal course of operations.

The mortgage was incurred to fund the purchase of Bridge View in 2017. During the three and six months ended June 30, 2018 the Company incurred interest on the loan of C\$33,342 and C\$64,969 (June 30, 2017 – nil). Principle payments for the mortgage started in June 2018 and at June 30, 2018 totalled C\$7,602.

	Principle Repaid C\$	Total C\$
Balance, December 31, 2017	—	3,000,000
Payments	7,602	7,602
Balance, June 30, 2018	7,602	2,992,398

For the Investment in Thirty-Three Health refer below, there has been no impact to the profit and loss in the three and six months ended June 30, 2018 (June 30, 2017 – nil).

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash and accounts receivable. The carrying amount of this asset included on the Interim Financial Statements represents the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high credit worthiness.

Institution	\$				
National banks	2,960,864				
Money management service	52,200				
	Total	0-30 Days	31- 60 Days	61- 90 Days	90 + Days
Accounts Receivables	243,750	146,162	230	23,894	73,464

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable and accrued liabilities, taxation payable, the current portion of the mortgage payable and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable.

Interest rate risk

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments. A 1% change in interest rate would result in a Canadian ("CDN") \$30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the three and six months ended June 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in C\$:

	June 30, 2018	June 30, 2017
Cash	3,866,103	37,621
Accounts payable and accrued liabilities	(189,009)	(62,099)
	C\$ 3,677,094	C\$ (24,478)

For the three and six months ended June 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros (“EUR”):

	June 30, 2017		June 30, 2017
Cash	—		—
Accounts payable and accrued liabilities	(38,126)		(86,872)
	EUR (38,126)	EUR	(86,872)

A 10% change of the C\$ against the United States Dollars at June 30, 2018 would have increased net loss by \$253,859 (June 30, 2017: \$1,715) or decreased net loss by \$310,272 (June 30, 2017: \$2,096). A 10% change of the EUR against the USD at June 30, 2018 would have increased the net loss by \$2,184 (June 30, 2017: \$5,331) or decreased net loss by \$2,670 (June 30, 2017: \$6,516).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, the mortgage, due from related party, and accounts payable and accrued liabilities are classified as Level 2 financial instruments and are carried at amortized costs. The Company’s investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument.

There were no transfers within the fair value hierarchy during the three and six months ended June 30, 2018.

Investment in Thirty Three Health

On March 15, 2017, the Company entered into a simple agreement for future equity (“SAFE”) with Thirty Three Health. The investment was valued at \$100,000 which was the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health’s capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of this instrument, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

This investment is carried at its fair value under IFRS 9 using level 3 inputs permitted under IFRS 13. As at June 30, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

The Company’s investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument. As at June 30, 2018, the SAFE was valued at \$100,000 (December 31, 2017 - \$100,000).

Other than with respect to the investment in Thirty-Three Health, it has been determined that no significant assumptions have been made in determining the fair value of financial instruments at June 30, 2018.

CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the three and six months ended June 30, 2018.

RISKS AND UNCERTAINTIES

The Company is pursuing commercial ventures in the cannabis business that encompass the biotechnology and agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company remains in pilot scale and has limited revenue from operations. The Company continues to have limited capital resources and relies upon debt and/or equity financings to make new investments and to fund the operations of the Company. Investing in the Company's common shares involves significant risks. An investor should carefully consider the summary of risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in the Company's prospectus dated October 2, 2018, including the documents incorporated by reference therein. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company's common shares could decline, and you could lose part or all of your investment.

(i) Operational Risks and Other Significant Factors

Cannabis is listed as a Schedule 1 drug under the federal Controlled Substances Act. For this reason, the federal government could shut down the operations of the Company at any time. Under the Obama Administration, the Department of Justice released a memo on August 29, 2013 which issued guidance to federal prosecutors on certain enforcement priorities. These priorities included preventing the distribution of cannabis to minors, preventing revenue from sales going to criminal enterprises, preventing diversion of product between states etc. The memorandum put the onus for all other regulation onto the individual states, indicating that only when the prioritized harms materialized would strict federal enforcement prevail. In January 2018, the Attorney General of the United States rescinded this memorandum. While federal prosecutors have the authority to prosecute business and individuals engaged in the production, processing and sale of cannabis in states such as Washington and California, there has been no evidence of such enforcement to date as doing so would cause serious economic hardship for states dependent on cannabis tax revenues. Accordingly, this is a substantial risk and there is no guarantee that the Company will be successful in operating without interference or prohibition by the federal government. For further information with respect to risks affecting the Company and its operations, please refer to the section entitled "*Risk Factors*" within the Prospectus to which this MD&A is appended.

CONFLICTS OF INTEREST

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

ADDITIONAL INFORMATION

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedar.com.

RUBICON HOLDINGS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2017 and 2016
August 17, 2018

INTRODUCTION

This management discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Rubicon Holdings Inc. (“**Rubicon**” or the “**Company**”) is for the years ended December 31, 2017 and 2016. It is supplemental to, and should be read in conjunction with the Company’s audited financial statements including the accompanying notes for the year ended December 31, 2017 and 2016 (the “**Consolidated Financial Statements**”). The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the SEDAR website at www.sedar.com. This discussion covers the year ended December 31, 2017, and the subsequent period up to the date of August 17, 2018.

Throughout this document the terms we, us, our, the Company and Rubicon refer to Rubicon Holdings Inc. and its subsidiaries in the year.

Additional information about the Company can be requested from Ms. Margaret Brodie, Chief Financial Officer at the mailing address of Suite 505 – 744 West Hastings Street, Vancouver, BC, V6C 1A5, Canada.

All figures in this MD&A are in United States Dollars unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company’s plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as “believes”, “if”, “expects”, “estimates”, “may”, “could”, “should”, “will”, “intends” and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company’s expectations of current financial resources being sufficient to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company’s ability to successfully execute its plans and intentions; (vi) the Company’s ability to obtain financing at reasonable terms through the sale of equity and/or debt commitments; (vii) the Company’s ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company’s competitors; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in the United States and Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company’s ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company’s activities; changing foreign exchange rates and other matters discussed in this MD&A.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Rubicon Holdings Inc. is a Washington State registered company incorporated on May 28, 2015 as the result of a merger between RH GP, Inc. and Rubicon Holdings, LP. RH GP, Inc. and Rubicon Holdings, LP were both incorporated in October 2014 and were under common control. The Company's records and registered office is located at 1191 Second Ave. Suite 1800, Seattle, Washington, 98101-2939.

On May 15, 2018 the Company entered into a share exchange transaction (the "**Share Exchange**") with Rubicon Organics Inc. ("**ROI**") whereby each shareholder of the Company, other than ROI, exchanged its common shares in the Company on a 1:1 basis with the common shares of ROI. Upon consummation of the Share Exchange, ROI became the sole shareholder of the Company and the Company's previous shareholders now hold common shares of ROI. Further information is provided below.

Rubicon's business plan to generate revenue is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in Washington and California. The Company is also planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

As at December 31, 2017 the Company had ten wholly owned subsidiaries including:

Name	Place of Incorporation	Ownership Percentage
Red Dog Operations, Inc.	WA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
Rubicon California LLC	CA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc.	BC, Canada	100%

⁽¹⁾ The Company controls a licensed cannabis company, Vega Ventures LLC ("**Vega**"), in Washington state by way of a contractual agreement. Vega is fully consolidated in the Consolidated Financial Statements in accordance with IFRS 10.

Canada

As at December 31, 2017 the Company wholly owns Bridge View Greenhouses Ltd. (“**Bridge View**”) which has a 20 acre parcel of land with a 125,000 square-foot greenhouse facility located in Delta, British Columbia (“**BC**”). The greenhouse facility is undergoing a retro-fit to comply with Health Canada standards in anticipation of licensing in 2018. Vintages Organic Cannabis Company Inc. (“**Vintages**”), is a late stage applicant under Health Canada’s Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) for licensing to produce and sell cannabis in Canada. Upon completion, the facility will be capable of producing approximately 11,000 kilograms per year of dried cannabis in the planned phase I production. The Company’s planned phase II and III expansion would increase the facilities cannabis production capacity to a total of 67,000 kilograms per year. The Company intends to complete the organic certification process with the Fraser Valley Organic Producers Association and will be one of only a few licensed producers in Canada to provide certified organic cannabis.

In the second quarter of 2018, the Canadian assets and operations were sold to ROI.

United States

In the United States, Rubicon does not currently hold cannabis licenses or otherwise produce, process or sell cannabis product. The Company and its affiliates lease or sublease turnkey facilities and license brands to one or more state-licensed producer and processor licensees in California and Washington. Rubicon’s ancillary involvement in the cannabis sector in the United States is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of California and Washington.

California

In California, the Company licenses its lifestyle brand, 1964 Supply Co.TM to state-licensed operator, Kool Gildea Inc. (“**KG Inc.**”). The Company is focused on rapidly growing its brand presence in California and KG Inc. has agreements in place with distributors in both Northern and Southern California.

As at December 31, 2017 the Company also owned 3 acres of land in Greenfield, California with local municipal licensing established for development of a cannabis facility.

In the second quarter of 2018, the land in Greenfield, California was sold to ROI.

Washington

On November 20, 2014, the Company acquired 16.6 acres of industrial land located in Ferndale, Washington. In the last quarter of 2017, the Company completed the construction of a 40,000 square-foot high-tech, venlo-style greenhouse on the property (the “**Ferndale Greenhouse**”). The Company intends to lease the Ferndale Greenhouse to an I-502 Tier 3-licensed tenant (the “**Greenhouse Tenant**”) who will also license the Company’s brands. The Greenhouse Tenant is currently in the process with the WSLCB to transfer its I-502 Tier 3 license to the Ferndale Greenhouse. The Company expects the Ferndale Greenhouse to begin cultivation during the second half of 2018.

In Washington, the Company licenses its Doctor & Crook Co.TM brand through the sale of branded packaging and is leasing a turnkey cannabis oil extraction facility to a state licensed processor. In 2016, the Company entered an option agreement with Vega Ventures LLC (“**Vega**”), a third party I-502 licensed entity whereby the Company had the right to designate, subject to WSLCB approval, another owner of Vega. To the date of this MD&A, RHI has not exercised this option. While Vega is not a legal subsidiary, given the option agreement, it is consolidated for financial reporting purposes. Rubicon subleases a cannabis oil extraction facility in Bellingham to Vega and also has a brand licensing agreement in place which allows Vega to market and sell cannabis products across the State of Washington under the Company’s wholly-owned brand, Doctor & Crook Co.TM. During 2017 all revenue from sublease of extraction facilities and related equipment and licensing brand and the sale of non-cannabis materials including packaging and processing were derived from Vega.

In the second quarter of 2018, the extraction facility lease and equipment, and the greenhouse in Ferndale, were sold to ROI.

KEY DEVELOPMENTS IN 2017

Canada

On June 15, 2017, the Special Committee approved the Company's acquisition of Vintages from three related parties for \$1,499,999 (999,999 RHI Common Shares and C\$3.00). A special committee of the board of directors was comprised of all independent directors and one executive director unrelated to the transaction the ("**Special Committee**"). The Special Committee approved the transaction whereby the common Share of the Company (the "**RHI Common Shares**") issued in association with the purchase of Vintages were restricted for transfer until a notice of confirmation of readiness was issued under the ACMPR license and the land identified in the application or equivalent land was purchased by the Company. Refer to "*Transactions Between Related Parties*".

On June 16, 2017, Vintages obtained the notice of confirmation of readiness under the ACMPR program for the land site identified in the application. On September 14, 2017, the Company purchased Bridge View located in Delta, BC for C\$4.0 million. Bridge View was an operating 125,000 square-foot red pepper greenhouse facility on 20 acres designated as BC agricultural land reserve. The site also includes a blueberry farm and house. The Company obtained a mortgage for C\$3.0 million in connection with the acquisition. The mortgage is collateralized by the Bridge View site (land and greenhouse facility), bears interest at prime plus 100 basis points per annum, has a 5-year term and a 20-year amortization period.

On September 15, 2017, after consultation with Health Canada, the Company re-submitted its application under the ACMPR applying the application to the new Delta site.

In November 2017, on completion of the former tenants use of the greenhouse facility, the Company commenced its retrofit plan in preparation for Health Canada licensing.

California

In March 2017, the Company, with KG Inc., was successful in receipt of its application to the City of Greenfield for a municipal cultivation and manufacturing permit of cannabis.

On March 15, 2017, the Company entered into a simple agreement for future equity ("**SAFE**") from Thirty Three Health. The investment was valued at \$100,000 which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health's capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand, Défoncé Chocolatier.

In the event that Thirty Three Health has an equity financing before the expiration of this instrument, the Company will automatically be awarded equity from such offering. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either: (i) the issuance of stock to the Company; or (ii) the payment of amounts due to the Company. As at December 31, 2017, this SAFE has not been subject to any events and therefore is still in place.

In June 2017, the Company launched its 1964 Supply Co.TM brand in California under a licensing agreement with KG Inc. KG Inc. purchases flower and oil from other licensed producers and Rubicon provides ancillary services such as brand packaging and other marketing related services to KG Inc. who sells the product to retailers and distributors in California.

Washington

During 2017, the Company continued with the development of its Ferndale Greenhouse site. The construction of the facility completed in the fourth quarter of 2017.

Further to the development activities at the greenhouse site, the Company has sub-leased its leased extraction site and equipment, and sells the Doctor & Crook Co.TM branded packaging under a license agreement with a Washington state licensed processor, who sells the branded flower and oil derivative products to the Washington state licensed retail system. Refer to “*Financial Review and Results of Operations*” for information on the results of the Vega business.

Corporate

Rubicon completed a private placement during July 2017 to January 2018 (the “**2017 Private Placement**”) for 4,862,372 RHI Common Shares at a price of \$2.00 per share, for gross proceeds of \$9,267,518, of which \$6,442,484 closed in 2017. Costs associated with this transaction amounted to \$12,906. Certain early shareholders were eligible for a Super Subscription Right (“**SSR**”) which entitled them to a 20% discount on the next financing greater than \$1,000,000. 1,043,065 RHI Common Shares were purchased under the SSR at a price of \$1.60 each. On closing of the 2017 Private Placement in January 2018, this SSR expired, except under the pro-rata rights granted to early shareholders.

During 2017, the Company issued an aggregate of 590,000 stock options as follows:

Date Issued	Number of Stock Options	Exercise Price (US\$)
January 12, 2017	225,000	\$1.50
July 31, 2017	340,000	\$2.00
November 15, 2017	25,000	\$2.00

DEVELOPMENTS SUBSEQUENT TO DECEMBER 31, 2017

- *Financing:* On January 25, 2018, 1,372,517 RHI Common Shares were issued as part of the 2017 Private Placement (referred to in total above) for total proceeds of \$2,745,034. On February 13, 2018, 62,500 RHI Common Shares were issued pursuant to the SSR price of \$1.60 per RHI Common Share to existing shareholders issuable under the Company’s investor rights agreement.
- *Stock Options:* On January 21, 2018, the Company issued an aggregate of 52,000 stock options to employees. The stock options are exercisable at \$2.00 per RHI Common Share for a period of five years.
- *California Licensing Arrangement:* On January 30, 2018, the Company entered into an agreement with KG Inc. for total consideration of \$620,000, which gives it the right to direct certain activities of KG Inc., including the appointment and removal of governing members. As a result, in the first quarter of 2018 the Company assessed that it was appropriate to consolidate KG Inc. for its IFRS Consolidated Financial Statements. In April 2018, KG Inc. obtained its temporary state license to distribute cannabis in California and is licensed by the Company to sell the 1964 Supply Co.TM brand. KG Inc. has established distribution arrangements for Southern and Northern California with distribution partners.
- *Canada:* On January 17, 2018, the Company received its Notice of Confirmation of Readiness under Health Canada’s ACMPR program. Throughout the remainder of the first half of 2018 and until the date of this MD&A, the Company has continued to retrofit the BC greenhouse facility for cannabis licensing and production. The Company anticipates to complete the retrofit and to obtain organic certification and commercial production approval for sale in the first half of 2019.
- *Washington:* The Washington 40,000 square-foot greenhouse facility has completed its initial commissioning and is in the process of being leased to a state licensed producer/processor.
- *Re-organization:* The Company and ROI undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for public listing:
 - On April 19, 2018, ROI incorporated West Coast Property Holdings Inc. and on May 11, 2018, purchased three United States real estate asset entities from the Company for \$9,267,962: the California

land asset, Washington greenhouse assets and leased Washington extraction facility, and equipment. The ROI issued a note payable to the Company as consideration for the transaction.

- On May 15, 2018, the Company entered into the Share Exchange with ROI whereby each shareholder of the Company, other than ROI, exchanged its RHI Common Shares on a 1:1 basis with the common shares of ROI. Upon consummation of the Share Exchange, ROI became the sole shareholder of the Company.
- On May 30, 2018, in connection with the Share Exchange, all former option holders of the Company exchanged their options on a 1:1 basis for new options of ROI, on substantially similar terms to their original options in the Company.
- On May 31, 2018 the Company transferred directly or indirectly Bridge View Greenhouses Ltd., Vintages Organic Cannabis Company Inc., 1113603 B.C Ltd. and West Coast Marketing Corporation to ROI.
- *California Licensing Arrangement:* On August 15, 2018, the temporary state license of Kool Gildea Inc. expires. Kool Gildea Inc. is the California mutual benefit corporation with whom the Company has a licensing agreement to sell the 1964 Supply Co.TM brand. On August 14, 2018, the Company signed a packaging licensing agreement with CMX Distribution to take on the sale of 1964 Supply Co branded product in California.

OUTLOOK

Canada: The Company plans to obtain its necessary licensing in Canada for the production of cannabis. Thereafter the Company intends to obtain the organic certification for its cannabis production and develop brands for the Canadian and export markets.

California: The Company intends to continue to develop a brand presence through marketing efforts and relationships with state licensed distributors to achieve brand recognition and sales of 1964 Supply Co.TM consistently across the state.

Washington: The Company intends to lease its Ferndale facility and license its brands to a state licensed producer/processor whereby brand recognition can be achieved consistently on the west coast of North America.

Corporate: The Company is pursuing a listing on the Canadian Securities Exchange and is in the process of filing the necessary paperwork to obtain a listing.

The Company intends to continue to evaluate and assess new cannabis market opportunities in its existing jurisdictions and beyond. To support these activities, the Company is evaluating its options with respect to securing additional financing whether through equity financing, debt or other alternative structures, including strategic alliances.

FISCAL 2017 HIGHLIGHTS

The following table sets forth select financial information of the Company for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
	\$	\$	\$
Sales	681,711	237,299	—
Loss from operations	(4,322,304)	(3,339,950)	(1,416,990)
Net loss	(4,474,761)	(3,361,501)	(1,416,990)
Total comprehensive loss	(4,497,987)	(3,361,501)	(1,418,026)

Loss per share	(0.15)	(0.13)	(0.06)
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	As at December 31,		
	2017	2016	2015
	\$	\$	\$
Current assets	2,618,289	4,409,902	4,705,186
Total assets	17,471,875	9,742,022	7,475,589
Current liabilities	1,777,725	755,674	534,200
Non-current liabilities	2,391,391	—	80,407
Total liabilities	4,169,116	755,674	614,607
Shareholders' equity	13,302,759	8,986,348	6,860,982

There were no distributions or cash dividends per share.

The table below summarizes the Company's cash flows for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
	\$	\$	\$
Net cash provided (used in)			
Operating activities	(3,058,914)	(2,488,020)	(948,661)
Investing activities	(7,192,594)	(2,677,424)	(1,718,756)
Financing activities	9,873,713	5,234,914	5,302,761
Effect of foreign exchange on cash	1,439	—	—
Increase (decrease) in cash	(376,356)	69,470	2,635,344
Cash beginning of the year	2,704,814	2,635,344	—
Cash end of the year	2,328,458	2,704,814	2,635,344

In fiscal 2017, the Company has been focused on developing its assets in Canada and Washington in order to move to the next phase of its business plan to cultivate or lease facilities and provide ancillary services to state licensed cannabis producers.

Through its relationships with state licensed producers and processors, while still in pilot scale with its operations, the Company grew sales by \$444,412 to \$681,711. The loss from operations was larger due to the brand launch marketing costs and other costs incurred in the business through the development of the assets, on-going development of the business plan and professional services fees. Washington sales relate to the Doctor and Crook Co.TM brand via a brand licensing agreement with a state licensed processor who also sub-leases the extraction facility. In May 2017 Rubicon's flagship brand 1964 Supply Co.TM launched in Los Angeles with KG Inc to gain brand recognition through events and marketing presence.

The Company's total assets grew significantly to \$17,471,875, being reflective of the Company's current focus on expansion and greenhouse development. In 2017 the Company incurred significant asset acquisition and development costs relating to the construction of the Washington greenhouse and purchase of Bridge View. Further, the Company acquired Vintages and its application to Health Canada for medical cannabis production as described above.

The Company's operations continue to be largely funded through equity financing, with the exception of a C\$3 million mortgage secured against the Bridge View facility. Between July 2017 and January 2018, the Company completed a financing with total proceeds of \$9,267,518 of which \$6,442,484 was closed in 2017.

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The following summary of financial information has been derived from the Consolidated Financial Statements of the Company which have been prepared in accordance with IFRS.

	For the year ended December 31, 2017 \$	For the year ended December 31, 2016 \$
REVENUE		
Sales	681,711	237,299
Cost of sales	662,218	186,375
Loss on inventory write-off	251,064	—
Gross profit (loss)	(231,571)	50,924
EXPENSES		
Consulting, salaries and wages	1,683,793	1,151,245
Share-based compensation	875,849	908,786
General and administrative expenses	686,259	392,283
Sales and marketing expense	491,269	353,265
Professional fees	273,661	249,855
Depreciation	79,902	42,109
Licensing costs	—	293,331
	4,090,733	3,390,874
Loss from operations	(4,322,304)	(3,339,950)
OTHER EXPENSE		
Interest on finance lease obligations	(9,834)	(8,107)
Interest on loans	(39,766)	—
Realized foreign exchange	(43,545)	(13,444)
	(93,145)	(21,551)
Loss before income tax	(4,415,449)	(3,361,501)
Income tax expense	(59,312)	—
Net loss	(4,474,761)	(3,361,501)
Other comprehensive loss		
Exchange rate differences on translation of foreign operations	(23,226)	—
Total comprehensive loss	(4,497,987)	(3,361,501)

The year ended December 31, 2017 compared to the year ended December 31, 2016

Sales were first made in 2016 with the launch of Washington brands Doctor and Crook Co.TM and Thrifty CannabisTM through Vega, a state licensed processor in Washington state owned by a third party (consolidated for financial reporting purposes given agreements in place). Sales overall increased in 2017 due to increased brand recognition in Washington and the launch of the 1964 Supply Co.TM brand in California. In 2017, the Company sold 1964 Supply Co.TM packaging to KG Inc. Product sales from the licensed entities consist of packaged flower, pre-rolled joints, packaged C02 oil and cannabis concentrates.

Cost of goods sold has increased at a slightly higher rate than the increase in sales as higher quality packaging and product components were sought. Additionally, C02 oil made up a larger portion of the sales mix in 2017, which requires more direct labour and a greater overhead allocation. There was considerable inventory write-off mostly related to packaging where there were changes in packaging requirements in both California and Washington as well as product loss due to moisture loss and quality write-offs. In future, the cost of sales is expected to decrease once production moves to sources where margins can be better controlled such as owned facilities or consistent long-term supply arrangements are made.

Operating expenses have increased year-over-year with the ramp-up of operations. The increase is largely due to increased payroll costs as expected with such expansion. Other primary costs include larger office spaces, professional

fees and depreciation. The Company anticipates that salaries expenses will continue to increase through 2018 with the expansion of the corporate office and sales and operational teams in each jurisdiction. Marketing costs throughout 2018 are also likely to increase as a result of various marketing campaigns in each jurisdiction.

The other comprehensive income (loss) with respect to foreign currency translation difference varies at each reporting date given the fluctuations between the United States Dollar and the Canadian Dollar. This foreign currency translation difference includes the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency into Canadian Dollars. For the year ended December 31, 2017, the impact of the foreign currency translation differences was a comprehensive loss of \$23,226.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes quarterly financial results for Rubicon for the last eight quarters.

(\$000's)	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	202	192	147	141	97	140	—	—
Net Loss	(1,388)	(921)	(1,298)	(868)	(1,096)	(976)	(711)	(578)
Shares outstanding	31,000	28,177	27,561	26,507	26,463	23,440	22,297	21,297
Loss per share	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.03)

The Consolidated Financial Statements for the years ended December 31, 2017 and 2016 are the Company's initial financial reporting as a reporting issuer. The information provided for the eight previous quarters are provided to offer insight to the readers of this MD&A to show the growth in the Company, increased activity and financing.

The Company commenced sales in Washington third quarter of 2016 and they have consistently grown since. In Q3 2017, the Company commenced sales in California. Both Washington and California operations were in and remain in pilot scale during this time. The net loss of the business has grown as the team and activity of the Company has grown with expansion of the California and Canadian teams in 2017 also punctuated with increased professional services being obtained and the impact of share based payment expense (non-cash) on the quarterly results.

FOURTH QUARTER

The Consolidated Financial Statements for the years ended December 31, 2017 and 2016 are the Company's initial financial reporting as a reporting issuer and thus this information is prepared on an annual basis.

During the fourth quarter, sales were affected by changes in the seed to sale tracking system in Washington which meant there was limited monthly growth as the I-502 system had difficulties in a transition phase. This poor transition meant deliveries were stalled in Washington for several weeks in the fourth quarter of 2017. Expenses in the business grew as the team and business activity increased with expansion of the California and Canadian teams, increased professional services fees and the impact of share based payment expense (non-cash) on the quarterly results.

LIQUIDITY

As at December 31, 2017, the Company had cash available of \$2,328,458 (2016: \$2,704,814) and working capital of \$840,564 (2016: \$3,654,228). Cash and working capital decreased by \$376,356 and \$2,813,664, respectively. The Companies remains in start-up operations as it launches its brands in Washington and California and prepares for licensing in Canada. Operating activities in the year ended December 31, 2017 used \$3,058,914 (2016: \$2,488,020) largely driven by start-up inventory costs, consulting, salaries and wages and other operating expenses.

The most significant costs in 2017 related to the investment in property, plant and equipment for the Washington facility and purchase and commencement of retrofit of Bridge View totaling \$7,092,599 as compared with only \$2,677,424 in 2016.

During the period, the Company received \$6,438,548 in proceeds from share issuance as well as \$1,164,500 of funds that carried over from investment held by ROI in 2016. In total the Company received \$6,438,548 in funds related to financing as compared with \$3,370,250 in 2016. In addition, the Company received \$2,391,391 in proceeds from the mortgage associated with the Bridge View facility.

The Company's historical operations have principally been funded through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. The Consolidated Financial Statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Consolidated Financial Statements. While there can be no assurance of continued ability to raise funds, management of the Company ("**Management**") anticipates success and cash profitability of the business through the production and sale of cannabis products in the next twelve months.

CAPITAL RESOURCES

As at December 31, 2017, the Company had the following contractual obligations:

(\$000's)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations					
Mortgage	3,519	148	539	360	2,472
Operating leases	125	94	31	-	-
Total contractual obligations	3,644	242	570	360	2,472

*Includes principle and interest obligations

The Company expects to settle these contractual obligations through funds from revenue and existing cash.

GOING CONCERN

The Company is considered a development stage company and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offering in the cannabis industry and grow its revenue. The Consolidated Financial Statements were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception through December 31, 2017 and, although it has begun to generate revenue during the past fiscal year, revenue is insufficient to cover the costs of operations, or to fund capital expenditures. As at December 31, 2017, the Company has an accumulated deficit of \$9,382,259 and incurred a net loss of \$4,474,761 for the year ended December 31, 2017. The Company also had a working capital surplus of \$840,564. The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations, to liquidate assets or obtain the necessary financing to meet its near term obligations such that it can repay its liabilities when they become due. Management believes that its current resources are sufficient to carry out the business plan to reach profitable operations. Notwithstanding this, under the right terms and in order to fund new growth opportunities, management intends to continue its efforts to secure external financing through the issuance of equity and debt as a source of financing the operations of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company, or at all.

Subsequent to December 31, 2017, on January 25, 2018, 1,372,517 common shares were issued as part of a financing which commenced in 2017 and completed its final tranche in January 2018 for total proceeds in 2018 of \$2,745,034. On February 13, 2018, 62,500 common shares were issued at the SSR price of \$1.60 per common share. On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 and a concurrent non-brokered private placement for C\$1,355,972.

PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions that will materially affect the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

A previously contracted executive of the Company, Mr. Pellezzari, owns 50% of Kika Marketing (“Kika”), a marketing agency, which was paid \$172,000 (2016 - \$174,149) and 53,333 RSAs, issued at \$1.50, in fees during the year. As at December 31, 2017 \$1,070 (2016 – \$19,250) was owed to Kika.

ROI is a British Columbia registered holding company which facilitates investment into Rubicon for certain Canadian shareholders. Since incorporation, the Company paid expenditures on behalf of ROI including professional, legal and administrative fees and was owed \$156,805 (2016 – \$154,305) at year end. In 2016, ROI held \$1,164,500 in trust for the Company as part of the December 2016 warrant exercise. The funds were transferred to the Company in January of 2017.

KG Inc. is a California non-profit mutual benefit corporation that operates a medical cannabis collective. Management provides input to the operations of KG Inc., and KG Inc. is categorized as a related party because the Company has influence over the operations of and supplies branded packaging to KG Inc. at no cost. KG Inc. has a municipal delivery license in Rancho Mirage, California to buy and sell cannabis. In 2017 the Company paid expenditures on behalf of KG Inc. and was owed \$103,315 (2016 – \$0) at December 31, 2017.

During the year the Company accepted a shareholder loan from Mr. Savics totaling \$1,200,000. On November 7, 2017 the total loan and interest at 10% of \$18,904 was converted into common shares at a share price of \$1.60, applying the SSR.

As at December 31, 2017 \$82,717 (2016 – \$57,762) was owed to Ms. Brodie for goods purchased on behalf of the Company.

In December 2017, Mr. McConnell, Ms. Brodie and Mr. Doig took an aggregate of \$85,216 from their salaries and converted it into 48,848 common shares as part of the financing.

On June 15, 2017, the Special Committee approved the Company’s acquisition of Vintages from Mr. Savics, Mr. McConnell and Mr. Doig, three related parties, for \$1,499,999 (999,999 RHI Common Shares and C\$3.00). The Special Committee approved the transaction whereby the RHI Commons Shares issued in association with the purchase of Vintages were restricted for transfer until a notice of confirmation of readiness was issued under the ACMPR license and the land identified in the application or equivalent land was purchased by the Company.

Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Key management personnel compensation was comprised of:

	2017	2016
	\$	\$
Salaries	430,000	430,000
Share based compensation	286,828	519,805
	716,828	949,805

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of 55 million of common shares without par value. As at August 17, 2018 the Company has 32,735,382 common shares outstanding are wholly owned by ROI. Refer to information on the Share Exchange transaction described above.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Consolidated Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the Consolidated Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

- **Estimated useful lives and amortization of property and equipment and intangible assets**

Amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment.

- **Valuation of share-based transactions**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the notes to the Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the year ended December 31, 2017, amendments to IAS 7 – *Statement of Cash Flows* and IAS 12 – *Income Taxes* came into effect. These amendments did not have a significant impact on the Company's financial reporting.

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of the Consolidated Financial Statements are disclosed below. Management has not chosen to early adopt these pronouncements and anticipates that they will be adopted in the first period beginning after the effective date of the pronouncements.

- **IFRS 9 – *Financial Instruments* (“IFRS 9”)**

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Under IAS 39 the Company has been able to apply Paragraph 46(c) allowing the entity to measure its investment in Thirty Three Health at cost. Under IFRS 9 there is no such possibility and this investment will be measured at fair value in accordance with IFRS 13 – *Financial Instruments; Fair Value Measurement* (“**IFRS 13**”). The Company is still evaluating the impact of this change in measurement but does not anticipate it to be material.

- **IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)**

IFRS 15 is effective for years commencing on or after January 1, 2018, and replaces IAS 11, Construction Contracts; IAS 18, Revenue; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and SIC 31, Revenue – Barter Transactions Involving Advertising Services. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company has preliminarily determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

- **IFRS 16 – Leases (“IFRS 16”)**

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The extent of the impact of adoption of this standard on our operations has not yet been determined

- **IFRS 2 – Share-based payments (“IFRS 2”)**

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018.

The Company has preliminarily determined that there will be no significant changes to the financial position and financial performance when this standard is applied other than additional disclosure.

FINANCIAL INSTRUMENTS

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Accounts receivable and other assets	Loans and receivable
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Promissory note payable	Other liabilities
Due to related party	Other liabilities

Mortgage
Investment

Other liabilities
Available for sale

The fair values of accounts receivable and other assets, amounts due from related parties, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments. All of these financial instruments have been incurred in the normal course of operations.

The mortgage has been incurred to fund the purchase of Bridge View in 2017. During the year ended December 31, 2018 the Company incurred interest on the loan of \$39,766 (December 31, 2016 – nil).

Investments in equity instruments include the Investment in Thirty-Three Health and it was assessed to have no reliable fair value measurement thus was measured at cost with changes to the profit and loss account. There have been no impacts to the profit and loss in the year ended December 31, 2017 (December 31, 2016: \$nil).

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the consolidated statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its' cash with institutions of high credit worthiness.

Institution	C\$
National banks	2,319,108
Local credit unions	13,902
Money management service	625

In Washington State credit terms for the sale of cannabis are not allowed therefore the Company does not have material accounts receivable nor allowances for doubtful accounts. Washington is the only geographical segment with material revenue.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable and accrued liabilities and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable as disclosed in the notes to the Consolidated Financial Statements.

Interest rate risk

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments and the fair value of our investments.

A 1% change in interest rate would result in a C\$30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the year ended December 31, 2017 the Company was exposed to currency risk through the following assets and liabilities denominated in CAD:

	2017	2016
Cash	45,019	2,689
Accounts payable and accrued liabilities	(45,474)	(49,635)
C\$	(455)	C\$ (46,946)

For the year ended December 31, 2017 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros (“EUR”):

	2017	2016
Cash	—	—
Accounts payable and accrued liabilities	(87,937)	—
EUR	(87,937)	EUR —

A 10% change of the CAD against the USD at December 31, 2017 would have increased net loss by US\$586 (2016: US\$3,885) or decreased net loss by US\$480 (2016: US\$3,149). A 10% change of the EUR against the USD at December 31, 2017 would have increased net loss by US\$6,491 (2016: nil) or decreased net loss by US\$5,311 (2016: nil).

Market risk

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, due from related party, accounts payable and accrued liabilities, and mortgage are classified as Level 2 financial instruments and are carried at amortized costs. The Company’s investment in Thirty Three Health is AFS and is classified as Level 3 financial instruments. Due to the nature of this investment, fair value cannot be reliably determined, and the instrument is therefore measured at cost less any impairment. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

It has been determined that no significant assumptions have been made in determining the fair value of financial instruments at December 31, 2017.

CAPITAL MANAGEMENT

It is Management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the year ended December 31, 2017.

RISKS AND UNCERTAINTIES

The Company is pursuing commercial ventures in the cannabis business that encompass the biotechnology and agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company remains in pilot scale and has limited revenue from operations. The Company continues to have limited capital resources and relies upon debt and/or equity financings to make new investments and to fund the operations of the Company. Investing in the Company's common shares involves significant risks. An investor should carefully consider the summary of risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in the Company's prospectus dated October 2, 2018, including the documents incorporated by reference therein. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company's common shares could decline, and you could lose part or all of your investment.

Operational Risks and Other Significant Factors

Cannabis is listed as a Schedule 1 drug under the federal Controlled Substances Act. For this reason, the federal government could shut down the operations of the Company at any time. Under the Obama Administration, the Department of Justice released a memo on August 29, 2013 which issued guidance to federal prosecutors on certain enforcement priorities. These priorities included preventing the distribution of cannabis to minors, preventing revenue from sales going to criminal enterprises, preventing diversion of product between states etc. The memorandum put the onus for all other regulation onto the individual states, indicating that only when the prioritized harms materialized would strict federal enforcement prevail. In January 2018, the Attorney General of the United States rescinded this memorandum. While federal prosecutors have the authority to prosecute business and individuals engaged in the production, processing and sale of cannabis in states such as Washington and California, there has been no evidence of such enforcement to date as doing so would cause serious economic hardship for states dependent on cannabis tax revenues. Accordingly, this is a substantial risk and there is no guarantee that the Company will be successful in operating without interference or prohibition by the federal government.

For further information with respect to risks affecting the Company and its operations, please refer to the section entitled "*Risk Factors*" within the Prospectus to which this MD&A is appended.

CONFLICTS OF INTEREST

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

ADDITIONAL INFORMATION

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedar.com.

RUBICON HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2018 and 2017

August 17, 2018

INTRODUCTION

This management discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Rubicon Holdings Inc. (“**Rubicon**” or the “**Company**”) is for the three months ended March 31, 2018 and 2017. It is supplemental to, and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements including the accompanying notes for the three months ended March 31, 2018 and 2017 (the “**Interim Consolidated Financial Statements**”) and the audited consolidated financial statements for the year ended December 31, 2017. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements including *IAS 34, Interim Financial Reporting*. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information regarding the Company is available on our website at www.rubiconorganics.com or through the SEDAR website at www.sedar.com. This discussion covers the three months ended March 31, 2018, and the subsequent period up to the date of August 17, 2018.

Throughout this document the terms we, us, our, the Company and Rubicon refer to Rubicon Holdings Inc. and its subsidiaries in the year.

Additional information about the Company can be requested from Ms. Margaret Brodie, Chief Financial Officer at the mailing address of Suite 505 – 744 West Hastings Street, Vancouver, BC, V6C 1A5, Canada.

All figures in this MD&A are in United States Dollars unless otherwise noted.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company’s plans, objectives or goals, including words to the effect that the Company or management of the Company (“**Management**”) expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as “believes”, “if”, “expects”, “estimates”, “may”, “could”, “should”, “will”, “intends” and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking statements are based on certain assumptions and analyses made by the Company considering the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to (i) information or statements concerning the Company’s expectations of current financial resources being sufficient to fund operations; (ii) obtaining the necessary regulatory approvals; (iii) that regulatory requirements will be maintained; (iv) general business and economic conditions; (v) the Company’s ability to successfully execute its plans and intentions; (vi) the Company’s ability to obtain financing at reasonable terms through the sale of equity and/or debt commitments; (vii) the Company’s ability to attract and retain skilled staff; (viii) market competition; (ix) the products and technology offered by the Company’s competitors; and (x) that our current good relationships with our suppliers, service providers and other third parties will be maintained.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: the legal status of cannabis cultivation, distribution and sales in the United States and Canada; changes in general economic conditions and conditions in the financial markets; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; uncertainty about the Company’s ability to continue as a going concern; risk that the Company will not obtain or retain any relevant licenses; technological and operational difficulties encountered in connection with the Company’s activities; changing foreign exchange rates and other matters discussed in this MD&A.

Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Many of the factors are beyond our control. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. We disclaim any intention and assume no obligation to update any forward-looking statements even if new information becomes available, as a result of future events, new information, or for any other reason except as required by law. These forward-looking statements are made as of the date hereof. Additional information related to us is available by accessing the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Rubicon Holdings Inc. is a Washington State registered company incorporated on May 28, 2015 as the result of a merger between RH GP, Inc. and Rubicon Holdings, LP. RH GP, Inc. and Rubicon Holdings, LP were both incorporated in October 2014 and were under common control. The Company's records and registered office is located at 1191 Second Ave. Suite 1800, Seattle, Washington, 98101-2939.

On May 15, 2018 the Company entered into a share exchange transaction (the "**Share Exchange**") with Rubicon Organics Inc. ("**ROI**") whereby each shareholder of the Company, other than ROI, exchanged its common shares in the Company on a 1:1 basis with the common shares of ROI. Upon consummation of the Share Exchange, ROI became the sole shareholder of the Company and the Company's previous shareholders now hold common shares of ROI. Further information is provided below.

Rubicon's business plan to generate revenue is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in Washington and California. The Company is also planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

As at March 31, 2018 the Company had ten wholly owned subsidiaries including:

Name	Place of Incorporation	Ownership Percentage
Red Dog Operations, Inc.	WA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
Rubicon California LLC	CA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc.	BC, Canada	100%
Vega Ventures LLC ⁽¹⁾	WA, United States	0%
Kool Gildea, Inc ⁽²⁾	CA, United States	0%

- (1) The Company controls a licensed cannabis company, Vega Ventures LLC ("**Vega**"), in Washington state by way of a contractual agreement. Vega is fully consolidated in the Interim Condensed Consolidated Financial Statements in accordance with IFRS 10.
- (2) On January 30, 2018, an agreement was executed between the Company and Kool Gildea, Inc ("**KG Inc.**"), a California non-profit mutual benefit corporation granting the Company the power to direct certain activities of KG Inc., in particular the appointment and removal of governing members. As a result of this control, KG Inc. is consolidated in these Interim Condensed Consolidated Financial Statements in accordance with IFRS 10.

Canada

As at March 31, 2018 the Company wholly owns Bridge View Greenhouses Ltd. (“**Bridge View**”) which has a 20 acre parcel of land with a 125,000 square-foot greenhouse facility located in Delta, British Columbia (“**BC**”). The greenhouse facility is undergoing a retro-fit to comply with Health Canada standards in anticipation of licensing in 2018. Vintages Organic Cannabis Company Inc. is a late stage applicant under Health Canada’s Access to Cannabis for Medical Purposes Regulations (“**ACMPR**”) for licensing to produce and sell cannabis in Canada. Upon completion, the facility will be capable of producing approximately 11,000 kilograms per year of dried cannabis in the planned phase I production. The Company’s planned phase II and III expansion would increase the facilities cannabis production capacity to a total of 67,000 kilograms per year. The Company intends to complete the organic certification process with the Fraser Valley Organic Producers Association and will be one of only a few licensed producers in Canada to provide certified organic cannabis.

In the second quarter of 2018, the Canadian assets and operations were sold to ROI.

United States

In the United States, Rubicon does not currently hold cannabis licenses or otherwise produce, process or sell cannabis product. The Company and its affiliates lease or sublease turnkey facilities and license brands to one or more state-licensed producer and processor licensees in California and Washington. Rubicon’s ancillary involvement in the cannabis sector in the United States is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of California and Washington.

California

In California, the Company licenses its lifestyle brand, 1964 Supply Co.TM to state-licensed operator, KG Inc. The Company is focused on rapidly growing its brand presence in California and KG Inc. has agreements in place with distributors in both Northern and Southern California.

As at March 31, 2018 the Company also owned 3 acres of land in Greenfield, California with local municipal licensing established for development of a cannabis facility.

In the second quarter of 2018, the land in Greenfield, California was sold to ROI.

Washington

On November 20, 2014, the Company acquired 16.6 acres of industrial land located in Ferndale, Washington. In the last quarter of 2017, the Company completed the construction of a 40,000 square-foot high-tech, venlo-style greenhouse on the property (the “Ferndale Greenhouse”). The Company intends to lease the Ferndale Greenhouse to an I-502 Tier 3-licensed tenant (the “Greenhouse Tenant”) who will also license the Company’s brands. The Greenhouse Tenant is currently in the process with the WSLCB to transfer its I-502 Tier 3 license to the Ferndale Greenhouse. The Company expects the Ferndale Greenhouse to begin cultivation during the second half of 2018.

In Washington, the Company licenses its Doctor & Crook Co.TM brand through the sale of branded packaging and is leasing a turnkey cannabis oil extraction facility to a state licensed processor. In 2016, the Company entered an option agreement with Vega Ventures LLC (“Vega”), a third party I-502 licensed entity whereby the Company had the right to designate, subject to WSLCB approval, another owner of Vega. To the date of this MD&A, RHI has not exercised this option. While Vega is not a legal subsidiary, given the option agreement, it is consolidated for financial reporting purposes. Rubicon subleases a cannabis oil extraction facility in Bellingham to Vega and also has a brand licensing agreement in place which allows Vega to market and sell cannabis products across the State of Washington under the Company’s wholly-owned brand, Doctor & Crook Co.TM. During 2017 all revenue from sublease of extraction facilities and related equipment and licencing brand and the sale of non-cannabis materials including packaging and processing were derived from Vega.

In the second quarter of 2018, the extraction facility lease and equipment, and the greenhouse in Ferndale, were sold to ROI.

KEY DEVELOPMENTS IN THE THREE MONTHS TO MARCH 31, 2018

Canada

On January 17, 2018, the Company received its Notice of Confirmation of Readiness under Health Canada's ACMPR program. Throughout the remainder of the first half of 2018 and until the date of this MD&A, the Company has continued to retrofit the BC greenhouse facility for cannabis licensing and production. The Company anticipates to complete the retrofit and to obtain organic certification and commercial production approval for sale in the first half of 2019.

California

On January 30, 2018, the Company entered into an agreement with KG Inc. for total consideration of \$620,000, which gives it the right to direct certain activities of KG Inc. including the appointment and removal of governing members. As a result, in the first quarter of 2018 the Company assessed that it was appropriate to consolidate KG Inc. for its IFRS consolidated financial statements. In April 2018, KG Inc. obtained its temporary state license to distribute cannabis in California and is licensed by the Company to sell the 1964 Supply Co.TM brand. KG Inc. has established distribution arrangements for southern and northern California with distribution partners.

Washington

The Washington 40,000 square-foot greenhouse facility has completed its initial commissioning and is in the process of being leased to a state licensed producer/processor. Refer to *"Financial Review and Results of Operations"* for information on the results of the Vega business.

Corporate

Financing: Rubicon completed a private placement during July 2017 to January 2018 (the **"2017 Private Placement"**) for 4,862,372 common shares of the Company (**"RHI Common Shares"**) at a price of \$2.00 per share, for gross proceeds of \$9,267,518. On January 25, 2018, 1,372,517 RHI Common Shares were issued as part of the 2017 Private Placement for total proceeds of \$2,745,034. Certain early shareholders were eligible for a Super Subscription Right (**"SSR"**) which entitled them to a 20% discount on the next financing greater than \$1,000,000. On February 13, 2018, 62,500 RHI Common Shares were issued pursuant to the SSR price of \$1.60 per RHI Common Share to existing shareholders issuable under the Company's investor rights agreement.

Stock Options: On January 21, 2018, the Company issued an aggregate of 52,000 stock options to employees. The stock options are exercisable at US\$2.00 per RHI Common Share for a period of five years.

DEVELOPMENTS SUBSEQUENT TO MARCH 31, 2018

- *Re-organization:* The Company and ROI undertook a re-organization for the purposes of simplifying the overall corporate structure and better positioning the Company for public listing:
 - On April 19, 2018, ROI incorporated West Coast Property Holdings Inc. and on May 11, 2018, purchased three United States real estate asset entities from the Company for \$9,267,962: the California land asset, Washington greenhouse assets and leased Washington extraction facility, and equipment. ROI issued a note payable to the Company as consideration for the transaction.
 - On May 15, 2018, the Company entered into the Share Exchange with ROI whereby each shareholder of the Company, other than ROI, exchanged its RHI Common Shares on a 1:1 basis with the common shares of ROI. Upon consummation of the Share Exchange, ROI became the sole shareholder of the Company.
 - On May 30, 2018, in connection with the Share Exchange, all former option holders of the Company exchanged their options on a 1:1 basis for new options of ROI, on substantially similar terms to their original options in the Company.

- On May 31, 2018 the Company transferred directly or indirectly Bridge View Greenhouses Ltd., Vintages Organic Cannabis Company Inc., 1113603 B.C Ltd. and West Coast Marketing Corporation to ROI.
- *California Licensing Arrangement:* On August 15, 2018, the temporary state license of Kool Gildea Inc. expires. Kool Gildea Inc. is the California mutual benefit corporation with whom the Company has a licensing agreement to sell the 1964 Supply Co.TM brand. On August 14, 2018, the Company signed a packaging licensing agreement with CMX Distribution to take on the sale of 1964 Supply Co.TM branded product in California.

OUTLOOK

Canada: The Company plans to obtain its necessary licensing in Canada for the production of cannabis. Thereafter the Company intends to obtain the organic certification for its cannabis production and develop brands for the Canadian and export markets.

California: The Company intends to continue to develop a brand presence through marketing efforts and relationships with state licensed distributors to achieve brand recognition and sales of 1964 Supply Co.TM consistently across the state.

Washington: The Company intends to lease its Ferndale facility and license its brands to a state licensed producer/processor whereby brand recognition can be achieved consistently on the west coast of North America.

Corporate: The Company is pursuing a listing on the Canadian Securities Exchange and is in the process of filing the necessary paperwork to obtain a listing.

The Company intends to continue to evaluate and assess new cannabis market opportunities in its existing jurisdictions and beyond. To support these activities, the Company is evaluating its options with respect to securing additional financing whether through equity financing, debt or other alternative structures, including strategic alliances.

QUARTERLY HIGHLIGHTS

The following table sets forth select financial information of the Company for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31,	
	2018	2017
	\$	\$
Sales	408,601	140,908
Loss from operations	(1,990,139)	(857,396)
Net loss	(2,034,275)	(868,070)
Total comprehensive loss	(2,075,615)	(868,070)
Loss per share	(0.07)	(0.03)

	As at,	
	March 31, 2018	December 31, 2017
	\$	\$
Current assets	2,673,811	2,618,289
Total assets	18,990,961	17,471,875
Current liabilities	1,918,739	1,777,725
Non-current liabilities	2,326,664	2,391,391
Total liabilities	4,245,403	4,169,116
Shareholders' equity	14,745,558	13,302,759

There were no distributions or cash dividends per share.

The table below summarizes the Company's cash flows for the three months ended March 31, 2018 and 2017:

	For the three months ended March 31, 2018	2017
	\$	\$
Net cash provided (used in)		
Operating activities	(2,226,083)	(617,978)
Investing activities	(998,345)	(753,688)
Financing activities	2,830,270	(25,294)
Effect of foreign exchange on cash	(5,090)	-
Increase (decrease) in cash	(399,248)	(161,006)
Cash beginning of the period	2,328,458	2,704,814
Cash end of the period	1,929,210	2,543,810

In the first quarter of 2018, the Company has been focused on retrofitting its Bridge View asset in Canada, commissioning its Washington greenhouse and building its team both in California and Canada in anticipation of further activity for the next phase of its business plan to cultivate or lease facilities and provide ancillary services to state licensed cannabis producers.

Through its relationships with state licensed producers and processors, while still in pilot scale with its operations, the Company grew sales by \$267,693 to \$408,601. This was due to more steady monthly sales in Washington by the state licensed entity. California sales were relatively stagnant and slow given that KG Inc. was awaiting its California temporary state license. The loss from operations was larger due to personnel ramp up, marketing costs and other costs incurred in the business through the development of the assets, on-going development of the business plan and professional services fees.

The Company's total assets grew significantly to \$18,990,961 at March 31, 2018 from \$17,471,875 at December 31, 2017, being reflective of the Company's current focus on expansion and greenhouse development with the commissioning of the Washington facility and retrofit work on the Bridge View facility.

The Company's operations continue to be largely funded through equity financing, with \$2,704,198 of net proceeds received in the first quarter of 2018 being the final tranche of the 2017 private placement which commenced in July 2017 for an aggregate of \$9,267,518.

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

The following summary of financial information has been derived from the Interim Condensed Consolidated Financial Statements of the Company which have been prepared in accordance with IFRS.

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	\$	\$
REVENUE		
Sales	408,601	140,908
Cost of sales	303,080	135,747
Loss on inventory write-off	104,631	—
Gross profit	890	5,161
EXPENSES		
Consulting, salaries and wages	667,368	329,581
Share-based compensation	129,216	294,269
General and administrative expenses	415,472	88,035
Sales and marketing expense	347,871	74,682
Professional fees	217,074	49,697
Depreciation	31,128	26,293
Amortization of intangible asset	182,900	—
	1,991,029	862,557
Loss from operations	(1,990,139)	(857,396)
OTHER EXPENSE		
Interest on finance lease obligations	—	5,766

Interest on loans	25,304	—
Realized foreign exchange	9,805	4,908
	<u>35,109</u>	<u>10,674</u>
Loss before income tax	(2,025,248)	(868,070)
Income tax expense	9,027	—
Net loss	<u>(2,034,275)</u>	<u>(868,070)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss		
Exchange rate differences on translation of foreign operations	(41,340)	—
Total comprehensive loss	<u>(2,075,615)</u>	<u>(868,070)</u>
Basic and diluted loss per share	(0.07)	(0.03)

The three months ended March 31, 2018 compared to the three months ended March 31, 2017

Through its relationships with state licensed producers and processors, the Company grew sales by \$267,693 in the quarter as compared to the same period in 2017. This increase was due to more consistent monthly sales in Washington by the state licensed entity, Vega (consolidated for financial reporting purposes). The California sales were relatively stagnant and slow given that KG Inc. was awaiting its California temporary state license. Product sales from the licensed entities consist of packaged flower, pre-rolled joints, packaged C02 oil and cannabis concentrates.

Cost of goods sold as a percentage of sales has improved to a gross margin from under 5% to around 25% in line with expectations. This improvement is due to larger scale of input product being purchased allowed better rates, but this was offset by an inventory write off in both packaging where there were changes in packaging requirements in California as well as product loss due to moisture loss and quality write-offs. In future, the cost of sales is expected to decrease once production moves to sources where margins can be better controlled such as owned facilities or consistent long-term supply arrangements are made.

Operating expenses have increased year-over-year with the ramp-up of operations with teams operating in three jurisdictions (California, Washington and Canada (both at site and corporate office)) as well as brands launched in two markets. The largest increase is consulting, salaries and wages costs where headcount has increased with such expansion planned for 2018 to deliver on the business plan. Other significant costs include general and administrative costs, sales and marketing expenses and professional fees all due to increased activity and business development at Bridge View, in Washington and in California. The Company anticipates that salaries expenses will continue to increase through 2018 with the expansion of the corporate office and sales and operational teams in each jurisdiction. Marketing costs throughout 2018 are also likely to increase as a result of various marketing campaigns in each jurisdiction.

The other comprehensive loss with respect to foreign currency translation difference varies at each reporting date given the fluctuations between the United States Dollar and the Canadian Dollar. This foreign currency translation difference includes the impact of foreign exchange on intercompany loans whose retranslation is treated as equity (until the foreign operation is disposed of) and the translation of the foreign operation from its functional currency into Canadian Dollars. For the three months ended March 31, 2018, the impact of the foreign currency translation differences was a comprehensive loss of \$41,340 (for the three months ended March 31, 2017: \$nil).

SELECTED ANNUAL INFORMATION

The following table sets forth select financial information of the Company for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
	\$	\$	\$

Sales	681,711	237,299	—
Loss from operations	(4,322,304)	(3,339,950)	(1,416,990)
Net loss	(4,474,761)	(3,361,501)	(1,416,990)
Total comprehensive loss	(4,497,987)	(3,361,501)	(1,418,026)
Loss per share	(0.15)	(0.13)	(0.06)

	As at December 31,		
	2017	2016	2015
	\$	\$	\$
Current assets	2,618,289	4,409,902	4,705,186
Total assets	17,471,875	9,742,022	7,475,589
Current liabilities	1,777,725	755,674	534,200
Non-current liabilities	2,391,391	—	80,407
Total liabilities	4,169,116	755,674	614,607
Shareholders' equity	13,302,759	8,986,348	6,860,982

	For the years ended December 31,		
	2017	2016	2015
	\$	\$	\$
Net cash provided (used in)			
Operating activities	(3,058,914)	(2,488,020)	(948,661)
Investing activities	(7,192,594)	(2,677,424)	(1,718,756)
Financing activities	9,873,713	5,234,914	5,302,761
Effect of foreign exchange on cash	1,439	—	—
Increase (decrease) in cash	(376,356)	69,470	2,635,344
Cash, beginning of the year	2,704,814	2,635,344	—
Cash, end of the year	2,328,458	2,704,814	2,635,344

SUMMARY OF QUARTERLY RESULTS

The following table summarizes quarterly financial results for Rubicon for the last eight quarters.

	2018	2017				2016		
(\$000's)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	409	202	192	147	141	97	140	—
Net Loss	(2,034)	(1,388)	(921)	(1,298)	(868)	(1,096)	(976)	(711)
Shares outstanding	32,735	31,000	28,177	27,561	26,507	26,463	23,440	22,297
Profit (loss) per share	(\$0.07)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.03)	(\$0.04)	(\$0.04)	(\$0.03)

The Consolidated Financial Statements for the years ended December 31, 2017 and 2016 are the Company's initial financial reporting as a reporting issuer. The information provided for the eight previous quarters are provided to offer insight to the readers of this MD&A to show the growth in the Company, increased activity and financing.

The Company commenced sales in Washington Q3 of 2016 and they have consistently grown since. In Q3 2017, the Company commenced sales of 1964 Supply Co.TM branded packaging in California on a pilot scale. Both Washington and California operations were in and remain in pilot scale during this time. The net loss of the business has grown as the team and activity of the Company has grown with expansion of the California and Canadian teams in 2017 also punctuated with increased professional services being obtained and the impact of share based payment expense (non-cash) on the quarterly results. Refer to the Q1 2018 results analysis under "*Financial Review and Results of Operations*".

LIQUIDITY

As at March 31, 2018, the Company had cash available of \$1,929,210 (December 31, 2017: \$2,328,458) and working capital of \$755,072 (December 31, 2017: \$840,564). Cash and working capital decreased by \$399,248 and \$85,492, respectively. The Company remains in start-up operations as it launches its brands in Washington and California and prepares for licensing in Canada. Operating activities in the three months ended March 31, 2018 used \$2,226,083

(three months ended March 31, 2017 used: \$617,978) largely driven by consulting, salaries and wages and other operating expenses.

The most significant costs in the first quarter of 2018 related to the investment in property, plant and equipment largely for the retrofit of the Bridge View facility totaling \$1,010,453 as compared with only \$653,688 in the same period in 2017 which was in relation to the Washington facility development.

During the three months ended March 31, 2018, the Company received \$2,704,198 in net proceeds from financings as compared to none in the same quarter in 2017.

The Company's historical operations and development have principally been funded through the sale of securities. The Company expects that it will obtain funding through equity financing, debt financing or some other means depending on market conditions and other relevant factors at the time. However, there can be no assurance that the Company will be able to obtain such additional funding or obtain it on acceptable terms. The Condensed Consolidated Interim Financial Statements do not give effect to any adjustment which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Condensed Consolidated Interim Financial Statements. While there can be no assurance of continued ability to raise funds, Management anticipates success and cash profitability of the business through the production and sale of cannabis products in the next twelve months.

CAPITAL RESOURCES

The Company has the following contractual obligations as at March 31, 2018:

(\$000's)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Contractual obligations					
Mortgage*	3,400	163	525	350	2,361
Operating leases	93	94	19	-	-
Total contractual obligations	3,493	257	544	350	2,361

*Includes principle and interest obligations

The Company expects to settle these contractual obligations through funds from operations and existing cash.

GOING CONCERN

The Company is considered a development stage company and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offering in the cannabis industry and grow its revenue. The Interim Consolidated Financial Statements were prepared on a going concern basis and assume the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception through March 31, 2018 and, although it has begun to generate revenue during the past fiscal year, revenue is insufficient to cover the costs of operations, or to fund capital expenditures. As at March 31, 2018, the Company has an accumulated deficit of \$11,416,534 and incurred a net loss of \$2,034,275 for the three months ended March 31, 2018. The Company also had a working capital surplus of \$755,072. The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations, to liquidate assets or obtain the necessary financing to meet its near term obligations such that it can repay its liabilities when they become due. Management believes that its current resources are sufficient to carry out the business plan to reach profitable operations. Notwithstanding this, under the right terms and in order to fund new growth opportunities, management intends to continue its efforts to secure external financing through the issuance of equity and debt as a source of financing the operations of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company, or at all.

On July 5, 2018, ROI completed a brokered private placement offering of special warrants for aggregate gross proceeds of C\$11,816,168 and a concurrent non-brokered private placement for C\$1,355,972.

PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions that will materially affect the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any material off balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

ROI is a British Columbia registered holding company which facilitates investment into Rubicon for certain Canadian shareholders. Since incorporation, the Company paid expenditures on behalf of ROI including professional, legal and administrative and was owed \$159,453 at March 31, 2018 (December 31, 2017 – \$157,224) .

As at March 31, 2018, \$150,597 (December 31, 2017 - \$107,717) was owed to Ms. Brodie, for goods purchased on behalf of the Company.

On February 13, 2018, 62,500 common shares were issued at the SSR price of \$1.60 per common share to existing shareholders issuable under the Company's investor rights agreement. These shares were settled by way of a settlement of accounts payable owed to Mr. McConnell.

Compensation of key management personnel

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

	March 31, 2018	March 31, 2017
	\$	\$
Salaries	107,500	139,796
Share based compensation	38,111	81,411
	<u>145,611</u>	<u>221,207</u>

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of 55 million of common shares without par value. As at August 17, 2018 the Company has 32,735,382 common shares outstanding which are wholly owned by Rubicon Organics Inc. Refer to information on the Share Exchange transaction described above.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements (unaudited) requires Management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Management considers the policies described in Note 2 of the audited consolidated Financial Statements for the year ended December 31, 2017 to be the most critical in understanding the judgments that are involved in the preparation of the Company's condensed consolidated interim financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the three months ended March 31, 2018 the following standards came into effect:

- IFRS 9 – *Financial Instruments* (“**IFRS 9**”)

The Company has adopted IFRS 9 for the first time for the period ended March 31, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value.

The Company will continue to hold all loans and other liabilities at amortized cost and cash and investments will continue to be held at fair value through profit or loss. However, the Company will no longer be able to apply the cost exception for certain investments previously permitted under IAS 39. The Company has elected not to restate prior period numbers.

Financial Instruments	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost	Amortized cost
Investments	Other financial assets	Available for sale	Fair value through profit or loss

The Company’s investment in Thirty Three Health is held at fair value using level 3 inputs under IFRS 13 – *Financial Instruments; Fair Value Measurement* (“**IFRS 13**”). Management has performed an assessment of this change in policy and noted there is no financial impact on the Company’s Financial Statements for the three months ended March 31, 2018 in respect of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers* (“**IFRS 15**”)

The Company has adopted IFRS 15 for the first time for the period ended March 31, 2018, and replaces IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized. Management has applied the five-step analysis to all revenue contracts and determined that there is no change to the amount or timing of revenue recognized during the period.

The Company has elected to apply the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. With no change to the amount or timing of revenue recognized, no adjustment is required under this approach.

The Company disaggregates revenue from contracts with customers according to the geographic location of the revenue. This is presented in Note 15 Segment Information.

This new standard does not bring about significant changes to the financial position or performance of the Company other than additional disclosure. The Company has reviewed the impact of this change and noted there is no financial impact on the Company’s Financial Statements for the three months ended March 31, 2018 in respect of IFRS 15.

- IFRS 2 – *Share-based payments* (“**IFRS 2**”)

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes.

The standard requires entities to recognise all share-based payment awards in the financial statements based on fair value when the goods and services are received, which is determined at the grant date for share-based payments issued to employees. The Company does not have any cash-settled share-based payment transactions, nor share-based payment transactions with cash alternatives. For equity-settled awards, the Company measures the fair value of goods or services received and recognises a corresponding increase in equity. If the Company cannot reliably estimate the fair value of the goods or services received, the Company must measure its fair value indirectly using the fair value of the equity instruments granted.

This new standard does not bring about any changes to the financial position or performance of the Company other than additional disclosure.

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

- IFRS 16 – *Leases* (“**IFRS 16**”)

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The impact on the Company’s condensed consolidated interim financial statements of adopting this standard has not yet been determined.

FINANCIAL INSTRUMENTS

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	Fair value through profit or loss
Accounts receivable and other assets	Loans and receivable
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Promissory note payable	Other liabilities
Due to related party	Other liabilities
Mortgage	Other liabilities
Investment	Available for sale

The fair values of accounts receivable and other assets, amounts due from related parties, accounts payable and accrued liabilities, promissory note payable, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments. All of these financial instruments have been incurred in the normal course of operations.

The mortgage has been incurred to fund the purchase of Bridge View in 2017. During the three months ended March 31, 2018 the Company incurred interest on the loan of \$25,304 (March 31, 2017 – nil).

For the Investment in Thirty-Three Health refer below, there has been no impact to the profit and loss in the three months ended March 31, 2018 (March 31, 2017: \$nil).

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk primarily associated with cash. The carrying amount of this asset included on the condensed consolidated interim statement of financial position represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high credit worthiness.

Institution	\$
National banks	1,896,921
Money management service	32,289

In Washington State credit terms for the sale of cannabis are not allowed therefore the Company does not have material accounts receivable nor allowances for doubtful accounts. Washington is the only geographical segment with material revenue.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable and accrued liabilities and amounts payable to related parties, are payable within a 90-day period and are to be funded from cash. Long term liabilities consist of the mortgage payable.

Interest rate risk

Interest rate risk for the Company is that interest rate fluctuations might impair the Company's viability. Interest rate changes have the ability to impact our mortgage repayments. A 1% change in interest rate would result in a C\$30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euros and Canadian dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the three months ended March 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Canadian Dollars ("CDN" or "C\$"):

	March 31, 2018	March 31, 2017
Cash	628,045	76,707
Accounts payable and accrued liabilities	(179,699)	(70,533)
C\$	448,346	C\$ 6,174

For the three months ended March 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

	March 31, 2017	March 31, 2017
Cash	—	—
Accounts payable and accrued liabilities	(16,511)	(46,897)
EUR	(16,511)	EUR (46,897)

A 10% change of the CDN against the United States Dollars (“USD” or “US\$”) at March 31, 2018 would have increased net loss by \$31,611 (March 31, 2017: \$421) or decreased net loss by \$38,635 (March 31, 2017: \$515). A 10% change of the EUR against the USD at March 31, 2018 would have increased net loss by \$946 (March 31, 2017: \$2,687) or decreased net loss by \$1,156 (March 31, 2017: \$3,284).

Fair value

The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument.

There were no transfers within the fair value hierarchy during the three months ended March 31, 2018.

Investment in Thirty Three Health

On March 15, 2017, the Company entered into a simple agreement for future equity (“SAFE”) with Thirty Three Health. The investment was valued at \$100,000 which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health’s capital stock, subject to certain events. Thirty Three Health owns the California brand and operations for cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of this instrument, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

This investment is carried at its fair value under IFRS 9 using level 3 inputs permitted under IFRS 13. As at March 31, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

The Company’s investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument. As at March 31, 2018, the SAFE was valued at \$100,000 (December 31, 2017 - \$100,000).

Other than with respect to the investment in Thirty-Three Health, it has been determined that no significant assumptions have been made in determining the fair value of financial instruments at March 31, 2018.

CAPITAL MANAGEMENT

It is management’s objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company’s capital management program during the three months ended March 31, 2018.

RISKS AND UNCERTAINTIES

The Company is pursuing commercial ventures in the cannabis business that encompass the biotechnology and agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company remains in pilot scale and has limited revenue from operations. The Company continues to have limited capital resources and relies upon debt and/or equity financings to make new investments and to fund the operations of the Company. Investing in the Company's common shares involves significant risks. An investor should carefully consider the summary of risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in the Company's prospectus dated October 2, 2018, including the documents incorporated by reference therein. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company's common shares could decline, and you could lose part or all of your investment.

Operational Risks and Other Significant Factors

Cannabis is listed as a Schedule 1 drug under the federal Controlled Substances Act. For this reason, the federal government could shut down the operations of the Company at any time. Under the Obama Administration, the Department of Justice released a memo on August 29, 2013 which issued guidance to federal prosecutors on certain enforcement priorities. These priorities included preventing the distribution of cannabis to minors, preventing revenue from sales going to criminal enterprises, preventing diversion of product between states etc. The memorandum put the onus for all other regulation onto the individual states, indicating that only when the prioritized harms materialized would strict federal enforcement prevail. In January 2018, the Attorney General of the United States rescinded this memorandum. While federal prosecutors have the authority to prosecute business and individuals engaged in the production, processing and sale of cannabis in states such as Washington and California, there has been no evidence of such enforcement to date as doing so would cause serious economic hardship for states dependent on cannabis tax revenues. Accordingly, this is a substantial risk and there is no guarantee that the Company will be successful in operating without interference or prohibition by the federal government.

For further information with respect to risks affecting the Company and its operations, please refer to the section entitled "*Risk Factors*" within the Prospectus to which this MD&A is appended.

CONFLICTS OF INTEREST

To the best of our knowledge, there are no known existing or potential material conflicts of interest among us and our directors, officers or other members of Management as a result of their outside business interests except that certain of our directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director, officer or advisor of such other companies.

ADDITIONAL INFORMATION

Additional information related to the Company is available on the Company's website at www.rubiconorganics.com and through its public filings on www.sedar.com.

APPENDIX A

RUBICON ORGANICS INC. (the “Company”)

MANDATE OF THE BOARD OF DIRECTORS

1. PURPOSE

The primary function of the directors (individually a “**Director**” and collectively the “**Board**”) of the Company is to supervise the management of the business and affairs of the Company. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value and to ensure that the Company conducts business in an ethical and safe manner. In performing its functions, the Board should consider the legitimate interests that stakeholders, such as shareholders, employees, customers and communities, may have in the Company. In carrying out its stewardship responsibility, the Board, through the Company’s Chief Executive Officer (the “**CEO**”), should set the standards of conduct for the Company.

2. PROCEDURE AND ORGANIZATION

The Board operates by delegating certain responsibilities and duties set out below to management or committees of the Board and by reserving certain responsibilities and duties for the Board. The Board retains the responsibility for managing its affairs, including selecting its chair (the “**Chair of the Board**”) and constituting committees of the Board. The Company will comply with the applicable corporate governance guidelines under National Instrument 58-101 — *Disclosure of Corporate Governance Practices* and the rules of any stock exchange or market on which the Company’s shares are listed or posted for trading (collectively, “**Applicable Governance Rules**”). If the Board selects a non-independent Director to serve as the Chair of the Board, it shall also select an independent Director to serve as the independent lead Director (the “**Lead Director**”). In this mandate, the term “independent” includes the meanings given to similar terms by Applicable Governance Rules, including the terms “non-executive”, “outside” and “unrelated” to the extent such terms are applicable under Applicable Governance Rules. The Board shall assess, on an annual basis, the adequacy of this mandate.

3. RESPONSIBILITIES AND DUTIES

The principal responsibilities and duties of the Board fall into a number of categories, which are summarized below.

A. Legal Requirements

- (a) The Board has the overall responsibility to ensure that applicable legal requirements are complied with and documents and records have been properly prepared, approved and maintained.
- (b) The Board has the statutory responsibility to, among other things:
 - A. manage, or supervise the management of, the business and affairs of the Company;
 - B. act honestly and in good faith with a view to the best interests of the Company;
 - C. declare conflicts of interest, whether real or perceived;
 - D. exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances; and
 - E. act in accordance with the obligations contained in the British Columbia *Business Corporations Act* (the “**BCBCA**”), the regulations under the BCBCA, the articles of the Company, applicable securities laws and policies, applicable stock exchange rules, and other applicable legislation and regulations.
- (c) The Board has the responsibility for considering and taking action with respect to the following matters as a Board, which may not be delegated to management or to a committee of the Board except in exceptional circumstances:

- A. any submission to the shareholders of any question or matter requiring the approval of the shareholders;
- B. the filling of a vacancy among the directors or in the office of auditor, the appointment of any additional directors and the appointment or removal of either of the CEO or the Chair of the Board of the Company;
- C. the issue of securities;
- D. the development of corporate goals and objectives that the CEO is responsible for meeting and to monitor and assess the performance of the CEO in light of those corporate goals and objectives and to determine the compensation of the CEO;
- E. the declaration of dividends;
- F. the approval of a management information circular;
- G. the approval of a take-over bid circular, directors' circular or issuer bid circular;
- H. the approval of annual financial statements of the Company;
- I. the identification of individual candidates qualified to become Board members and the creation and composition of the Board's committees; and
- J. any other matter which is required under the Applicable Governance Rules or applicable corporate laws to be decided by the Board as a whole.

In addition to those matters which at law cannot be delegated, the Board must consider and approve all major decisions affecting the Company, including all material acquisitions and dispositions, material capital expenditures, material debt financings, issue of shares and granting of options.

B. Strategy Development

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Company and to participate with management directly or through committees in developing and approving the strategy by which the Company proposes to achieve these goals (taking into account, among other things, the opportunities and risks of the business of the Company).

C. Risk Management

The Board has the responsibility to safeguard the assets and business of the Company, identify and understand the principal risks of the business of the Company and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Company.

4. RESPONSIBILITIES AND EXPECTATIONS OF DIRECTORS

The responsibilities and expectations of each Director are as follows:

A. Commitment, Attendance and Participation in Meetings

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Members may attend by telephone.

Each Director should be sufficiently familiar with the business of the Company, including its financial position and capital structure and the risks and competition it faces, to actively and effectively participate in the deliberations of the Board and of each committee on which he or she may be a member. Directors should also review the materials provided by management and the Company's advisors in advance of meetings of the Board and committees and should arrive prepared to discuss the matters presented.

B. Code of Business Conduct and Ethics

Directors should be familiar with the provisions of the Company's Code of Business Conduct and Ethics. Each Director should also strive to perform his or her duties in keeping with current and emerging corporate governance best practices for directors of publicly-traded companies.

C. Other Directorships

Directors should advise the chair of the Board before accepting any new membership on other boards of directors or any other affiliation with other businesses or governmental bodies which involve a significant commitment by the Director.

D. Confidentiality

The proceedings and deliberations of the Board and its committees are, and shall remain, confidential. Each Director should maintain the confidentiality of information received in connection with his or her services as a director of the Company.

E. Evaluating Board Performance

The Board and each of its committees of the Board should conduct a self-evaluation periodically to assess their effectiveness. In addition, the Board should periodically consider the mix of skills and experience that Directors bring to the Board and assess, on an ongoing basis, whether the Board has the necessary composition to perform its oversight function effectively.

5. QUALIFICATIONS AND DIRECTORS' ORIENTATION

Directors should have the highest personal and professional ethics and values and be committed to advancing the interests of the Company. They should possess skills and competencies in areas that are relevant to the business of the Company. The CEO and the Chair of the Board are jointly responsible for the provision of an orientation program for new Directors to explain the Company's approach to corporate governance and the nature and operation of its business. The CEO is also responsible for generating continuing education opportunities for all Directors so that members of the Board may maintain and enhance their skills as Directors.

6. MEETINGS

The Board should meet on at least a quarterly basis and should hold additional meetings as required or appropriate to consider other matters. In addition, the Board should meet as it considers appropriate to consider strategic planning for the Company. Financial and other appropriate information should be made available to the Directors in advance of Board meetings.

Independent directors should meet separately from non-independent directors and management at least once per year in conjunction with regularly scheduled Board meetings, and at such other times as the independent directors consider appropriate to ensure that the Board functions in an independent manner.

7. RESOURCES

The Board has the authority to retain independent legal, accounting and other consultants. The Board may request any officer or employee of the Company or outside counsel or the external/internal auditors to attend a meeting of the Board or to meet with any member of, or consultant to, the Board.

Directors are permitted to engage an outside legal or other adviser at the expense of the Company where for example he or she is placed in a conflict position through activities of the Company, but any such engagement shall be subject to the prior approval of the Board.

Issue Date: July 31, 2018

Authorized By:

Board of Directors

Review: Annually

Revised Date:

APPENDIX B
RUBICON ORGANICS INC.
AUDIT COMMITTEE CHARTER

The Audit Committee (the “**Committee**”) is a committee of the Board of Directors (the “**Board**”) of Rubicon Organics Inc., a British Columbia company (the “**Company**”). The primary objective of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (a) retaining and overseeing the independent auditors of the Company, (b) overseeing the Company’s accounting and financial reporting processes and the audit and preparation of the Company’s financial statements, (c) exercising such other powers and authority as are set forth in this Charter and (d) exercising such other powers and authority as shall from time to time be assigned to the Committee by resolution of the Board.

Although the Committee has the powers and responsibilities set forth in this Charter, the role of the Committee is oversight. Consequently, it is not the duty of the Committee to conduct audits or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Company’s auditors.

The Committee will:

- (a) review and report to the Board on the following before they are published (to the extent such documents are required to be prepared, or are voluntarily prepared, by the Company):
 - (i) the financial statements and MD&A (management discussion and analysis) (as defined in National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators) of the Company;
 - (ii) the auditor’s report, if any, prepared in relation to those financial statements; and
 - (iii) all other filings with regulatory authorities and any other publicly disclosed information containing the Company’s financial statements, including any certification, report, opinion or review rendered by the independent accountants, and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements.
- (b) review the Company’s annual and interim earnings press releases, if any, before the Company publicly discloses this information;
- (c) satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures;
- (d) recommend to the Board the external auditor to be nominated for the purposes of preparing and issuing an auditor’s report or performing other audit, review or attest services for the Company and the compensation of such external auditor;
- (e) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (f) monitor and report to the Board on the integrity of the financial reporting process and the system of internal controls that management and the Board have established;
- (g) establish procedures for:

- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (h) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor, including, if applicable, as contemplated by National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators;
- (i) review and approve the Company's hiring of partners, employees and former partners and employees of the external auditor of the Company;
- (j) with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* of the Canadian Securities Administrators, to the extent applicable;
- (k) review any changes proposed by management to accounting policies and report to the Board on such changes;
- (l) oversee the opportunities and risks inherent in the Company's financial management and the effectiveness of the controls thereon;
- (m) review major transactions (acquisitions, divestitures and funding), in respect of which a special committee of the Board is not established;
- (n) review the reports of the Chief Executive Officer and Chief Financial Officer regarding any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees of the Company who have a significant role in managing or implementing the Company's internal controls and evaluate whether the internal control structure, as created and as implemented, provides reasonable assurances that transactions are recorded as necessary to permit the Company's external auditor to reconcile the Company's financial statements in accordance with applicable securities laws;
- (o) review with management the adequacy of the insurance and fidelity bond coverage, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Company, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Company;
- (p) periodically review and discuss with the external auditor all significant relationships the external auditor has with the Company to determine the independence of the external auditor, including a review of service fees for audit and non-audit services;
- (q) consider, in consultation with the external auditor, the audit scope and plan of the external auditor and approve the proposed audit fee and the final fees for the audit;
- (r) receive, investigate and act on complaints and concerns of employees and other stakeholders of the Company regarding non-compliance with the Company's Code of Business Conduct and Ethics and, for reported non-compliance that the Audit Committee determines to be less severe, the delegation to management of the authority to investigate and act on such complaints and concerns;
- (s) receive, investigate and act on complaints and concerns of employees and other stakeholders of the Company regarding non-compliance with the Company's Insider Trading Policy and Whistleblower Policy; and
- (t) review, develop and implement the Company's corporate governance policies.

COMPOSITION OF THE COMMITTEE

The Committee shall be composed of at least three independent directors. Independence of the Board members will be as defined by applicable legislation and as a minimum each committee member will have no direct or indirect relationship with the Company which, in the view of the Board, could reasonably interfere with the exercise of a member's independent judgement.

All members of the Committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. "Financially literate" means that such member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One or more members of the Committee shall, in the judgment of the Board, have accounting or financial management expertise.

APPOINTING MEMBERS

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy or the Committee no longer has a member who has, in the judgment of the Board, accounting or financial management expertise.

AUTHORITY

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.

The Committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the Committee.

The Committee has the authority to approve the interim financial statements and management discussion and analysis and to cause the filing of the same together with all required documents and information with the securities commissions and other regulatory authorities in the required jurisdictions.

The Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities.

The Board shall adopt resolutions which provide for appropriate funding, as determined by the Committee, for (i) services provided by the external auditor in rendering or issuing an audit report, (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities, or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

REPORTING

The reporting obligations of the Committee will include:

1. reporting to the Board on the proceedings of each Committee meeting and on the Committee's recommendations at the next regularly scheduled directors meeting; and
2. reviewing, and reporting to the Board on its concurrence with, the disclosure required in respect of the Audit Committee in any management information circular prepared by the Company.

MEETINGS

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- A quorum for meetings shall be at least a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
- The Committee shall meet whenever such formal review and report on a Company publication is required (or more frequently as circumstances dictate); and
- Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee and the external auditors of the Company at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

The members of the Committee must elect a chair from among the members of the Committee. The chair shall not have a casting vote. On request of the auditor of the Company, the chair of the Committee must convene a meeting of the Committee to consider any matter that the auditor believes should be brought to the attention of the directors or shareholders.

Issue Date: July 31, 2018

Authorized By:

Board of Directors

Review: Annually

Revised Date:

CERTIFICATE OF RUBICON ORGANICS INC.

Dated: October 2, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan and Ontario.

(Singed) Jesse McConnell

JESSE MCCONNELL
Chief Executive Officer

(Singed) Margaret Brodie

MARGARET BRODIE
Chief Financial Officer

On behalf of the Board of Directors

(Singed) Bryan Disher

BRYAN DISHER
Director

(Singed) John Pigott

JOHN PIGOTT
Director

CERTIFICATE OF THE AGENTS

Dated: October 2, 2018

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of British Columbia, Alberta, Saskatchewan and Ontario.

CANACCORD GENUITY CORP.

MACKIE RESEARCH CAPITAL CORPORATION

(Singed) Frank Sullivan

(Singed) Jeff Reymers

FRANK SULLIVAN
Vice President, Investment Banking

JEFF REYMER
Managing Director, Investment Banking

HAYWOOD SECURITIES INC.

(Singed) Campbell Beacher

CAMPBELL BEACHER
Managing Director, Investment Banking

3. Schedule B: Listing Statement Disclosure – Additional Information regarding Item 14 - Capitalization

Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non- diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	33,152,605	44,396,377	100.00%	100.00%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	24,717,769	29,409,074	74.56%	66.24%
Total Public Float (A-B)	8,434,836	14,987,303	25.44%	33.76%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	21,976,869	24,791,869	66.29%	55.84%
Total Tradeable Float (A-C)	11,175,736	19,604,508	33.71%	44.16%

Public Securityholders (Registered)

Instruction: For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities	3	4,984
2,000 – 2,999 securities	1	2,500
3,000 – 3,999 securities	1	3,968
4,000 – 4,999 securities		
5,000 or more securities	83	8,423,384
Total	88⁽¹⁾	8,434,836⁽¹⁾

Note:

- (1) On a non-diluted basis as of the date of this Listing Statement and which total excludes 292 holders of Special Warrants holding an aggregate of 3,658,820 Special Warrants, automatically exercisable for 3,658,820 Common Shares and 1,829,410 Warrants at 5:00 p.m. on October 9, 2018.

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities	3	4,984
2,000 – 2,999 securities	1	2,500
3,000 – 3,999 securities	1	3,938
4,000 – 4,999 securities		
5,000 or more securities	83	8,423,384
Total⁽¹⁾	88⁽¹⁾	8,434,836⁽¹⁾

Note:

- (1) On a non-diluted basis as of the date of this Listing Statement and which total excludes 292 holders of Special Warrants holding an aggregate of 3,658,820 Special Warrants, automatically exercisable for 3,658,820 Common Shares and 1,829,410 Warrants at 5:00 p.m. on October 9, 2018.

Non-Public Securityholders (Registered)

Instruction: For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities		
100 – 499 securities		
500 – 999 securities		
1,000 – 1,999 securities		
2,000 – 2,999 securities		
3,000 – 3,999 securities		
4,000 – 4,999 securities	2	8,000
5,000 or more securities	11	24,709,769
Total	13	24,717,769

- 14.2 *Provide the following details for any securities convertible or exchangeable into any class of listed securities*

Please see the disclosure under the heading “Options to Purchase Common Shares” in the Prospectus beginning on page 37 which outlines the Issuer’s outstanding options, warrants, restricted share units and special warrants.

- 14.3 Provide details of any listed securities reserved for issuance that are not included in section 14.2.

None.

Schedule C: Certificate of the Issuer

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Rubicon Organics Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Rubicon Organics Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, B.C.

this 5th day of October, 2018.

(Signed) Jesse McConnell

Jesse McConnell
Chief Executive Officer

(Signed) Margaret Brodie

Margaret Brodie
Chief Financial Officer

(Signed) Bryan Disher

Bryan Disher
Director

(Signed) John Pigott

John Pigott
Director