Management Discussion and Analysis
For the Three and six Months Ended September 30, 2018

*The following Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations dated November 29, 2018 relates to unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2018 of MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation) ("MPX" or the "Corporation"). This MD&A should be read together with the Corporation's unaudited interim condensed consolidated financial statements for the three and six months ended September 30, 2018 together with the related notes as well as the audited consolidated financial statements for the years ended March 31, 2018 and March 31, 2017 together with the related notes.*

*MPX's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") which requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.*

*Certain statements in this MD&A may contain "forward-looking information", within the meaning of applicable securities laws, including "safe harbour provisions" of the Securities Act (Ontario) with respect to the Corporation and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business, production and revenue expectations and the licensing of facilities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward- looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate" and similar expressions as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions and applied certain factors regarding, amongst other things, future cannabis pricing; cannabis cultivation yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel and contracted relationships with 3rd parties; the regulatory environment in both the United States (the "**U.S.**" or the "**United States**") and Canada; the application of federal, state and provincial laws; and the impact of increasing competition.*

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks and Uncertainties" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly-filed disclosure documents of the Corporation which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which could cause actual results to differ materially from the conclusions, forecasts or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements. The Corporation's forward-looking statements are made only as of the date of this MD&A and, except as required by law, MPX undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

Unless otherwise stated, all dollar amounts are expressed in Canadian dollars. This MD&A has been prepared in accordance with the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") of the Canadian Securities Administrators. Further MPX details and filings are available at www.sedar.com and on the Corporation's website www.mpxbioceutical.com.

CANNABIS INDUSTRY IN THE UNITED STATES

MPX derives a substantial portion of its revenues from the cannabis industry pursuant to legislation in certain U.S. states, more than a majority of which have decriminalized under state law either medical or medical and adult-use marijuana, although marijuana remains illegal under U.S. federal law. MPX is directly and indirectly involved in the cannabis industry by virtue of its own involvement or that of its subsidiaries in the U.S. where state and local laws permit such activities. Currently, MPX and/or its subsidiaries are directly and indirectly engaged whether on its own accord or via management or other service arrangements as described herein, in the cultivation, manufacture/production, possession, use, sale or distribution of cannabis in the Arizona medical marijuana market and the medical and adult-use market in Nevada. MPX is also in the early stage of expanding its operations in Massachusetts and Maryland. MPX's core business involves providing substantial management, staffing, procurement, advisory, financial, real estate rental, logistics and administrative services to cannabis businesses. *See "Involvement in the United States Cannabis Industry".*

The U.S. federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including marijuana, in a schedule. Cannabis is classified as a Schedule I drug, Schedule I drugs are those deemed to have a high potential for abuse, no accepted medical use in the U.S. and a lack of accepted safety for the use of the drug under medical supervision. The U.S. Food and Drug Administration ("FDA") has not approved cannabis as a safe and effective drug for any condition. While the FDA has not approved cannabis as a safe and effective drug, on June 25, 2018, the FDA approved a drug named Epidiolex, which is the first drug comprised of an active ingredient derived from marijuana. Epidiolex is used to treat rare, severe forms of epilepsy.

More than half of the states in the U.S. have enacted legislation to regulate the sale and use of medical and/or adult-use cannabis in some form or another, with various, limits, restrictions and protocol applicable in each state. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance and as such, is in violation of federal law in the U.S. Despite the current state of the federal law and the CSA, certain states have legalized the adult-use of cannabis, including Nevada and Massachusetts, where the Corporation has ongoing and early-stage operations, respectively. *See "Risk Factors" under the heading "Variation in State Regulations".*

In the U.S., marijuana is largely regulated at the state level. State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or adult-use cannabis, under U.S. federal law, the possession, use, cultivation and transfer of cannabis or any related drug paraphernalia is illegal and any such acts, even by state-licensed or -registered entities, are subject to criminal prosecution under federal law. The Supremacy Clause of the U.S. Constitution establishes that the Unites States Constitution and U.S. federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, is in violation of federal law in the U.S. Despite the current state of the federal law and the CSA, certain states have legalized the recreational use of cannabis, including Massachusetts, where the Corporation is expanding its operations.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice ("DOJ") specific to cannabis enforcement in the U.S., including the Cole Memorandum (as defined herein). With the rescission of the Cole Memorandum, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. *See "Risk Factors" under the heading "U.S. Federal Regulation".* U.S. Attorney General Jeff Sessions resigned on November 7, 2018, and Matthew G. Whitaker, Chief of Staff to Jeff Sessions at the Department of Justice, became the Acting Attorney General of the United States.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws or restrict permissible activities within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that the federal authorities may more rigorously enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed, amended or

overturned, MPX's business, results of operations, financial condition and prospects would be materially affected. *See "Risk Factors" under the heading "U.S. Federal Regulation".*

On June 26, 2018, the Arizona Court of Appeal rendered a decision affirming the Yavapai County Superior Court decision convicting Rodney Christopher Jones of possessing a jar containing 0.05 ounces of "hashish." In the Jones decision, two of the three judges that heard the case concluded that the Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1 (the "AMMA") does not immunize registered qualifying patients from prosecution or conviction under the Arizona criminal code (the "AZ Criminal Code") for the possession of cannabis which is defined in the AZ Criminal Code as the "resin extracted from any part of a plant of the genus cannabis, and every compound, manufacture, salt, derivative, mixture or preparation of such plant, its seeds or its resin." The majority's opinion stated that the possession of cannabis is generally prohibited under the AZ Criminal Code whereas the possession of marijuana, which is the green leafy substance, by registered qualifying patients is immunized against prosecution and conviction under the AZ Criminal Code by the AMMA. The majority's opinion stated that the possession of cannabis is generally prohibited under the AZ Criminal Code whereas the possession of marijuana, which is the green leafy substance, by registered qualifying patients is immunized against prosecution and conviction under the AZ Criminal Code by the AMMA. The Corporation believes the ruling will likely be met with an appeal or other legal action which will hopefully resolve once and for all an issue that has been the subject of contention. However, unless and until the Jones ruling is stayed or overturned, the AMMA will not immunize patients from criminal prosecution for possession of, and thereby denied access to medicines necessary for their health and well-being. See "*Subsequent Events*" under the heading "*Arizona Court of Appeals Decision*".

For the reasons set forth above, the Corporation's existing interests and operations in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of significant risks associated with the business of the Corporation. As a result, the Corporation 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 Corporation's ability to operate in the U.S. or any other jurisdiction.

NOTICE TO READER

Notice Regarding Material Transaction

The Corporation has entered into an arrangement agreement whereby all of its issued and outstanding shares will be acquired by iAnthus Capital Holdings, Inc. (Please see "Subsequent Events" for additional details). The arrangement agreement is subject to, among other things, regulatory and shareholder approval. The arrangement agreement will be carried out by way of plan of arrangement under the *Business Corporations Act* (British Columbia) and will require the approval of at least 66 2/3% of the votes cast by MPX shareholders at a special meeting expected to take place in January 2019.

Notice Regarding New Legislation

As this MD&A addresses the period ending September 30, 2018, it is important to note that the Access to Cannabis for Medical Purposes Regulations (the "ACMPR") was in effect as of September 30, 2018. On October 17, 2018 the ACMPR was replaced by the *Cannabis Act* (Canada) (the "Cannabis Act") and the regulations pursuant thereto. This MD&A specifically notes situations where the Cannabis Act, effective October 17, 2018, applies.

BUSINESS OF THE COMPANY AND SUMMARY OF ACTIVITIES

On November 18, 2014, the Corporation changed its name to 'The Canadian Bioceutical Corporation' and began trading on the TSX Venture Exchange under the symbol 'BCC'. On January 17, 2017, the Corporation's common shares in the capital of the Corporation (the "**MPX Shares**") were voluntarily delisted from the TSX Venture Exchange. On January 27, 2017, the MPX Shares commenced trading on the Canadian Securities Exchange ("**CSE**") under the symbol 'BCC'. The Corporation is a reporting issuer in Alberta, British Columbia and Ontario, Canada.

On November 1, 2017, the Corporation changed its name to 'MPX Bioceutical Corporation'. The MPX Shares began trading on the Canadian Securities Exchange under the new name and new symbol 'MPX' on November 6, 2017. On the OTCQB, the Corporation began trading under a new symbol 'MPXEF' on November 2, 2017.

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on April 2, 1974. The Corporation's registered office is located at 5255 Yonge Street, Suite 701, Toronto, Ontario M2N 6P4, Canada.

The Corporation is a multinational diversified cannabis company focused on the medical and adult-use cannabis markets. The Corporation has four dispensaries, two cultivation facilities and one production facility in Arizona, three dispensaries and one production facility in the Baltimore and Bethesda areas of Maryland, and one cultivation and production facility in North Las Vegas, Nevada. The Corporation is also developing one cultivation and production facility in Fall River, Massachusetts, as well as a dispensary in Fall River and Attleboro, Massachusetts. Subsequent to the year ended March 31, 2018, MPX acquired all issued and outstanding shares of 8423695 Canada Inc. operating as Canveda ("**Canveda**"), which has received its cannabis cultivation license from Health Canada, and will operate a cannabis cultivation and production facility in Peterborough, Ontario. Following such acquisition the name of 8423695 Canada Inc. was changed to 'Canveda Inc.'. The Corporation is also furthering an application with Health Canada to commence operations as a licensed producer of cannabis and cannabis products in Canada at a location in Smith Falls, Ontario.

Acquisitions

Acquisition of Canadian Licensed Producer

On June 11, 2018, the Corporation announced that it completed the acquisition of 100% of the issued and outstanding shares (the "**Canveda Shares**") of Canveda, as previously announced on April 17, 2018. At the time of the transaction, Canveda was a Licensed Producer under the ACMPR having received its Cultivation Licence on June 12, 2017. On October 17, 2018, when the Cannabis Act and its supporting regulations came into effect, Canveda's Cultivation Licence automatically converted into a Standard Cultivation Licence—its equivalent licence under the new regulatory regime (the "**Canveda Licence**"). For additional details regarding the types of licences under the Cannabis Act see "*Canadian Federal Regulatory Framework – Licenses, Permits and Authorizations*"

Canveda's fully built-out 12,000 square foot facility is located in Peterborough, Ontario, and is capable of producing high quality cannabis flower.

MPX acquired all the Canveda Shares for a total purchase price of $18,120,000 comprised of the following consideration:

- $3,120,000 in cash;
- $15,000,000 satisfied through the issuance of 21,428,571 MPX Shares issued at a price of $0.70 per MPX Share; and
- the issuance of 6,000,000 common share purchase warrants each exercisable into one (1) MPX Share at an exercise price of $0.84 for a period of five (5) years from the date of issuance.

MPX paid a finder's fee equal to 1% of the purchase price in MPX Shares at the deemed price of $0.70 per MPX Share to Stoic Advisory Inc., an independent Toronto-based corporate finance advisory firm working with companies across the global cannabis industry.

The Corporation is now taking steps to qualify the Owen Sound Faculty as a second site under the Canveda Licence.

Before the end of the term of the Canveda Licence, Canveda must submit an application for renewal to Health Canada, in accordance with the Cannabis Act. This requires that the Minister of Health, after examining the application and any supplementary information requested, issue a renewed licence, unless:

1. the renewal is likely to create a risk to public health or public safety, including the risk of cannabis being diverted to an illicit market or activity;

2. there are reasonable grounds to believe that false or misleading information or false or falsified documents were submitted in, or in support of, the application;

3. Canveda has contravened in the past 10 years a provision of the Cannabis Act, the Controlled Drugs and Substances Act or the Food and Drugs Act or of any regulation made under the Cannabis Act or any of those Acts;

4. there are reasonable grounds to believe that Canveda has contravened in the past 10 years: (i) an order made under this Act, the Controlled Drugs and Substances Act or the Food and Drugs Act; or (ii) a condition of another licence or permit issued to Canveda under the Cannabis Act or any of those Acts;

5. a security clearance in respect of Canveda has been refused or cancelled;

6. an individual who is required to hold a security clearance, as dictated by section 50 of the Cannabis Regulations, does not hold such a security clearance;

7. Canveda does not hold a cannabis licence issued under subsection 14(1.1) of the Excise Act, 2001; or

8. the Minister is of the opinion that it is in the public interest to do so.

There can be no guarantee that Health Canada will extend or renew the Canveda Licence as necessary or, if it extended or renewed, that the Canveda Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Canveda Licence, or should it renew the Canveda Licence on different terms, the business, financial condition and results of the operation of the Corporation would be materially adversely affected.

Financings

Spring 2018 Convertible Debenture Private Placement Offering

The Corporation announced that it completed an offering (the "**Debenture Offering**") of senior secured convertible debentures (the "**Convertible Debentures**") maturing on May 25, 2021 (the "**Maturity Date**"), representing a principal amount of US$49,257,572.60 ($63,054,618.69) issued at an original issue discount of US$812.06 ($1,039.52) per US$1,000 ($1,280.10) of principal amount for net proceeds of US$40,000,000 ($51,204,000) through a wholly-owned Luxembourg subsidiary of MPX ("**MPX Luxembourg**").

The proceeds of the Debenture Offering will be used primarily for accretive activities including capacity expansion, acquisitions, and to support activities involved with securing new cannabis extraction, production and dispensary licences in various jurisdictions in both the United States and Canada.

The Convertible Debentures are convertible into units (the "**Debenture Units**") of MPX at the option of the holder at any time prior to the Maturity Date at a conversion price of $0.74 per Debenture Unit. Each Debenture Unit is comprised of one (1) MPX Share and one-half (1/2) common share purchase warrant (a "**Debenture Warrant**") entitling the holder thereof to purchase one (1) MPX Share at a price of $1.01 per MPX Share on or prior to the Maturity Date. The Convertible Debentures may also be redeemed by the Corporation at any time after November 25, 2018 until the Maturity Date. The amount to be converted or redeemed will include the growth of the principal amount up until conversion or redemption, as applicable, as outlined above.

As a result of the foregoing, the maximum number of MPX Shares and Debenture Warrants that may be issued in the event that the all of the Convertible Debentures are converted into Debenture Units at the Maturity Date is: (a) 85,208,944 MPX Shares; and (b) 42,604,472 Debenture Warrants. In the event that all of the Debenture Warrants are exercised by the holders thereof, an additional 42,604,472 MPX Shares may be issued. In accordance with the terms of the Convertible

Debentures, the applicable exchange rate used for the purposes of calculating the number of Debenture Units to be issued upon conversion or redemption of the Convertible Debentures is the spot rate published by the Bank of Canada as of the close of business five (5) business days prior to the date of issuance of the Loan being $1.2801 on May 17, 2018.

In connection with their services under the Debenture Offering, the Corporation paid cash fees, commission and other financing costs of US$2,000,000 and issued an aggregate of 1,704,178 commission warrants (the "**Commission Warrants**"). Each Commission Warrant entitles the holder to acquire one Debenture Unit at an exercise price of $0.74 per Debenture Unit until the Maturity Date with the exercise price of the underlying Debenture Warrants that form part of such Debenture Units being $1.01 per MPX Share. In connection with the issuance of the Commission Warrants, the maximum number of MPX Shares and Debenture Warrants that may be issued in the event that all of the Commission Warrants are exercised is: (a) 1,704,178 MPX Shares; and (b) 852,089 Debenture Warrants. In the event that all of such Debenture Warrants are exercised, an additional 852,089 MPX Shares may be issued.

Stock Option Grants

May 2018 Grant

On May 31, 2018 the Corporation granted a total of 4,992,500 stock options to purchase MPX Shares to a director of MPX as well as employees and consultants of MPX's subsidiaries at an exercise price of $0.81 per MPX Share and expiring on May 31, 2023.

Corporate and Operational Updates

Opening of 4th Dispensary in Phoenix, Arizona

The Crismon "Health for Life" medical marijuana dispensary (the "**Crimson Dispensary**") officially opened on April 6, 2018 in the Metropolitan Phoenix area, located at the junction of East Main Street and Crismon Road in the suburb of Apache Junction. This brings the number of dispensaries under MPX management in Arizona's Sun Valley to four. The Crimson Dispensary aims to meet the needs of patients in this comparatively underserviced southeast quadrant of the region by making available the full spectrum of MPX concentrates, an extensive variety of cannabis flower, and a broad selection of 3rd party, processed cannabis-infused edibles.

Expanded Production of MPX Concentrates

The Corporation relocated the processing and production of MPX concentrates to a new location in North Mesa, Arizona (the "**New Facility**"). The build-out of the New Facility began operations in fall 2018 and has doubled the production capacity of MPX-branded products in Arizona to approximately 150,000 grams annually.

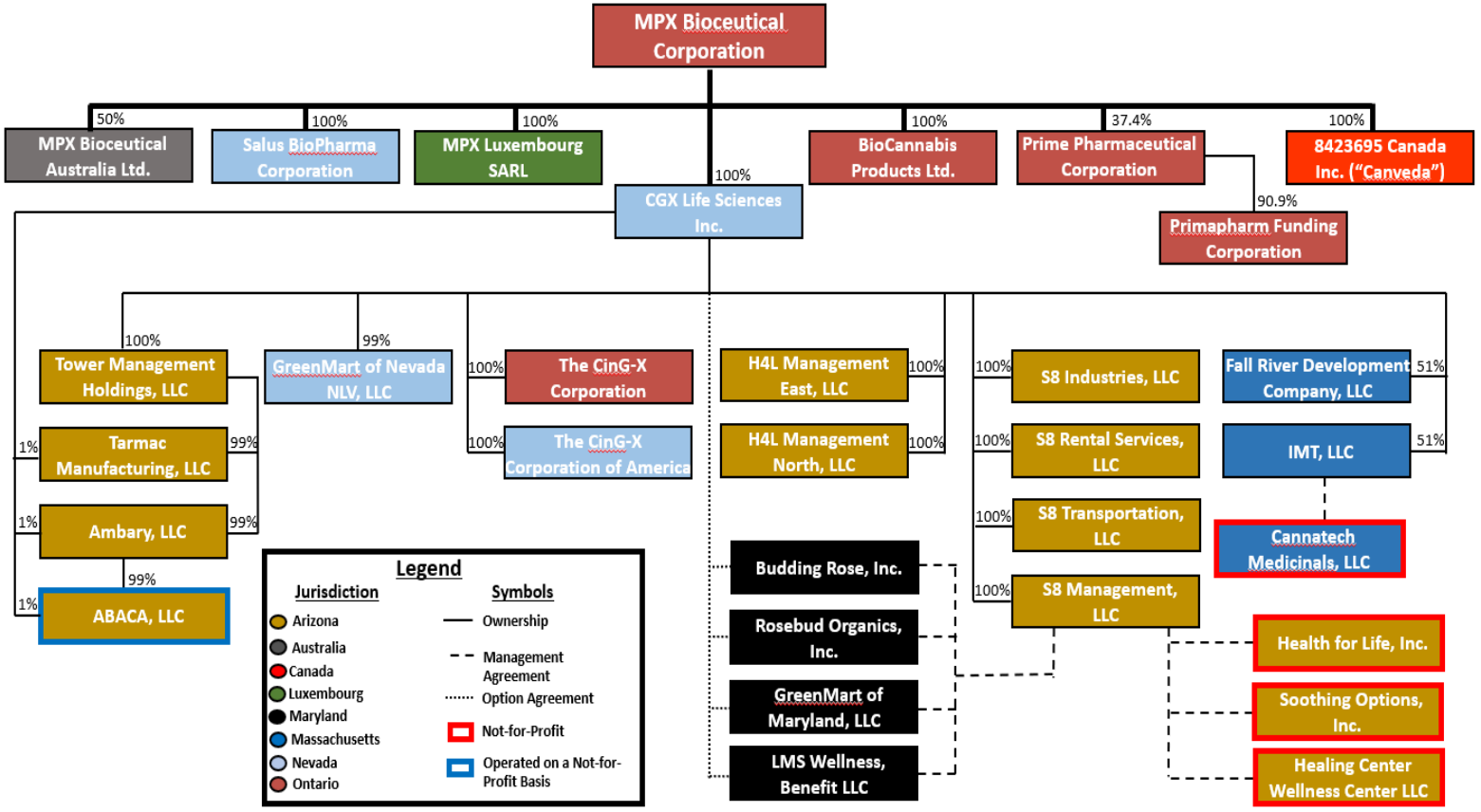
The New Facility incorporates some of the most modern and innovative extraction and distillation technologies available to MPX, permitting MPX's processing team to produce a wide variety of products including oil cartridges, cured resin, shatter, resin sauce, etc., all marketed under the MPX (Melting Point Extracts) brand and advertised as the "Gold Standard" of cannabis concentrates.

Appointment of New Director

The Corporation appointed Robert Petch as a director, effective May 24, 2018.

CORPORATE ORGANIZATIONAL CHART

The Corporation's corporate structure, its material subsidiaries, the percentage ownership in its subsidiaries and the jurisdiction of incorporation of such corporations are set out in the following chart:



INVOLVEMENT IN THE UNITED STATES CANNABIS INDUSTRY

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "**Staff Notice**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents. As a result of the Corporation's existing operations in Arizona and Nevada, and the Corporation's early-stage activity in Maryland and Massachusetts, the Corporation is properly subject to the Staff Notice.

The following chart is a summary of the Corporation's material assets and investments. References to "Direct", "Indirect" or "Ancillary" classifications of each asset or investment have the meanings ascribed thereto in the Staff Notice. All of the Corporation's investments that give the Corporation "Direct", "Indirect" and "Ancillary" involvement in the U.S. marijuana industry are included in the chart:

Asset Name, Date	Description	Type of Relationship, Jurisdiction, Classification
Health for Life, Inc. ("HFL") *January 2017*	HFL is a cannabis dispensary and cultivation facility located in Mesa, Arizona, operating under the *"Health for Life"* brand.	Type of Relationship: MPX, via its subsidiary S8 Management LLC ("**S8 Management**"), is directly engaged to provide management and operational services. Jurisdiction: Arizona. Classification: Direct.
Soothing Options, Inc. ("Soothing Options") *January 2017*	Soothing Options is a cultivation and production/manufacturing facility as well as a cannabis dispensary located in Mesa, Arizona, operating under the *"Health for Life"* brand.	Type of Relationship: S8 Management is directly engaged to provide management and operational services. Jurisdiction: Arizona. Classification: Direct.
The Health Center Wellness Center, LLC ("THC LLC") *March 2017*	HFL is a cannabis dispensary located in Mesa, Arizona, operating under the *"Health for Life"* brand.	Type of Relationship: MPX acquired the assets of PerkAZ which included a management agreement with the THC LLC, a licensee under the AMMA, as well as 44.3 acres of land in Chino Valley, Arizona, permitted for the cultivation of cannabis. Jurisdiction: Arizona. Classification: Direct.

Asset Name, Date	Description	Type of Relationship, Jurisdiction, Classification
S8 Management *January 2017*	S8 Management provides material support, administrative, general management and advisory services, financing and logistics, to licensed marijuana businesses and has management agreements in place with HFL, Soothing Options, THC LLC and LMS.	Type of Relationship: This entity is wholly owned by CGX. Jurisdiction: Supports entities in Arizona and Maryland. Classification: Due to the level of involvement of S8 Management in the operations of the above entities, we have classified this entity as having direct involvement in the cannabis industry.
S8 Transportation, LLC *January 2017*	S8 Transportation, LLC ("**S8 Transportation**") provides logistical support to HFL, Soothing Options and THC LLC.	Type of Relationship: S8 Transportation is a wholly-owned by CGX. Jurisdiction: Arizona. Classification: Ancillary.
Cannatech Medicinals Inc. ("CMI") *June 2017*	CMI holds a provisional license in Massachusetts and intends to operate one cultivation/production facility located in Fall River and dispensaries in Fall River and Attleboro and is negotiating zoning approval for a third Massachusetts dispensary. The cultivation/production facility and dispensaries in Fall River and Attleboro are in the early stages of being build out.	Type of Relationship: IMT is directly engaged to provide management and operational services. Jurisdiction: Massachusetts. Classification: Direct.
IMT, LLC ("IMT") *June 2017*	IMT provides material support, administrative, general management and advisory services, financing and logistics, to licensed marijuana businesses and has a management agreement in place with CMI.	Type of Relationship: CGX holds a 51% ownership interest in IMT. Jurisdiction: Supports CMI in Massachusetts. Classification: Due to the level of involvement of IMT in the operations of CMI, we have classified this entity as having direct involvement in the cannabis industry.
Fall River Developments, LLC ("FRD") *June 2017*	FRD holds real estate located in Fall River, Massachusetts, where the cultivation and production facility will be located.	Type of Relationship: CGX holds a 51% ownership interest in FRD. Jurisdiction: Supports IMT in Massachusetts. Classification: Ancillary.

Asset Name, Date	Description	Type of Relationship, Jurisdiction, Classification
GreenMart of Nevada NLV, LLC ("GreenMart NV") *December 2017*	GreenMart NV is a cultivation and production facility located in North Las Vegas, Nevada.	Type of Relationship: CGX holds 99% of the membership units. Jurisdiction: Nevada. Classification: Direct.
LMS Wellness, Benefit LLC ("LMS") *December 2017*	LMS has been awarded stage 1 pre-approval for a licence to dispense medical cannabis in Maryland Senatorial District 8.	Type of Relationship: CGX holds an option to acquire a 91.27951% interest in LMS as well as 100% of Huber's interest in LMS. As partial consideration for the option MPX assumed existing debts of LMS in the amount of US$1,332,119. S8 has entered into a management agreement with LMS whereby S8 Management is directly engaged to provide management and operational services. Jurisdiction: Maryland. Classification: Direct.
Budding Rose, Inc. ("Budding Rose") *January 2018*	Budding Rose has been awarded stage 1 pre-approval for a licence to dispense medical cannabis in Maryland Senatorial District 16.	Type of Relationship: S8 Management is directly engaged to provide management and operational services to Budding Rose. As well CGX has acquired options to purchase 100% of the issued and outstanding common stock of each entity. Jurisdiction: Maryland. Classification: Direct.
Rosebud Organics, Inc. ("Rosebud") *January 2018*	Rosebud has been awarded a licence to process medical cannabis in the State of Maryland.	Type of Relationship: S8 Management is directly engaged to provide management and operational services to Rosebud. As well CGX has acquired options to purchase 100% of the issued and outstanding common stock of each entity. Jurisdiction: Maryland. Classification: Direct.

Asset Name, Date	Description	Type of Relationship, Jurisdiction, Classification
GreenMart of Maryland, LLC ("GreenMart MD") *January 2018*	GreenMart MD has been awarded stage 1 pre-approval for a licence to dispense medical cannabis in Maryland Senatorial District 8.	Type of Relationship: S8 Management is directly engaged to provide management and operational services to GreenMart MD. As well, CGX has acquired options to purchase 100% of the outstanding membership units of this entity. Jurisdiction: Maryland. Classification: Direct.
ABACA, LLC ("ABACA") *March 2018*	ABACA is a cultivation and production / manufacturing facility located as well as a cannabis dispensary in Phoenix, Arizona, operating under the name "The Holistic Center AZ Medical Cannabis Dispensary".	Type of Relationship: CGX holds 100% of the membership units of ABACA directly and indirectly through Tower Management Holdings, LLC and Ambary, LLC. Jurisdiction: Arizona. Classification: Direct.

Licenses Held by MPX Related Entities

Below is a list of all cannabis related licences, applications and agreements held, entered into or submitted by an MPX related entities and issued, submitted to, or entered into with, a governmental authority:

Holding Entity	Permit/License	Location City	Key Dates (dd/mm/yyyy)	Description
ARIZONA				
ABACA	Approval to Operate Certificate **Registration Certificate ID #:** 00000075DCPP00704676	Phoenix	**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate cultivation site for medical marijuana in Arizona.
	Approval to Operate Certificate **Registration Certificate ID #:** 00000075DCPP00704676		**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate dispensary; approval for dispensary to cultivate medical marijuana at an offsite location in Arizona.
THC LLC	Approval to Operate **Registration Certificate ID #:** 00000041DCEN00861221	Mesa	**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate dispensary; dispensary not approved to cultivate at this or any other location in Arizona.
HFL	Approval to Operate **Registration Certificate ID #:** 00000093DCBC00293679	Mesa	**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate dispensary; approval of dispensary to cultivate medical marijuana.

Holding Entity	Permit/License	Location City	Key Dates (dd/mm/yyyy)	Description
Soothing Options	Approval to Operate **Registration Certificate ID #:** 00000094DCTJ00667966	Mesa	**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate cultivation site for medical marijuana in Arizona.
	Approval to Operate **Registration Certificate ID #:** 00000094DCTJ00667966		**Effective Date:** 08/08/2018 **Expiration Date:** 07/08/2019	Approval to operate dispensary; approval of dispensary to cultivate medical marijuana at an offsite location in Arizona.
MASSACHUSETTS				
CMI	Host Community Agreement	Fall River	**Date:** 01/06/2016	Host Community Agreement with the City of Fall River regarding the operation of a Registered Marijuana Dispensary and a cultivation facility in the region.
	Provisional Certificate of Registration		**Date:** 26/08/2016	Provisional Certificate of Registration for a Registered Marijuana Dispensary at a proposed dispensary and separate cultivation/processing facility in Fall River, issued by the Commonwealth of Massachusetts.
MARYLAND				
Budding Rose	Medical Cannabis License **License Number:** D-18-00030	Bethesda	**Approval Date:** 27/06/2018	Licence to operate a medical cannabis establishment, issued by the Department of Health and Mental Hygiene of the MMCC.
GreenMart MD	Medical Cannabis License **License Number:** D-18-00039	Baltimore	**Approval Date:** 26/07/2018	Licence to operate a medical cannabis establishment, issued by the Department of Health and Mental Hygiene of the MMCC.
LMS	Medical Cannabis License **License Number:** D-18-00040	Baltimore	**Approval Date:** 26/07/2018	Licence to operate a medical cannabis establishment, issued by the Department of Health and Mental Hygiene of the MMCC.
Rosebud	Medical Cannabis License **License Number:** P-17-00009	Gaithersburg	**Approval Date:** 03/10/2017	Licence to operate a medical cannabis establishment, issued by the Department of Health and Mental Hygiene of the MMCC.

Holding Entity	Permit/License	Location City	Key Dates (dd/mm/yyyy)	Description
NEVADA				
Greenmart NV	Business License **License Number:** 105611	North Las Vegas	**Period Ending:** 31/10/2018	MM02 Cultivation – GS License issued by the Director of Land Development & Community Services in Nevada.
	Business License **License Number:** 105613		**Period Ending:** 31/10/2018	MM08 Production – GS License issued by the Director of Land Development & Community Services in Nevada.
	Business License **License Number:** 111265		**Period Ending:** 31/10/2018	TME02 Temporary Cultivation License issued by Director of Land Development & Community Services in Nevada.
	Business License **License Number:** 11268		**Period Ending:** 31/10/2018	TME08 Temporary Production License issued by Director of Land Development & Community Services in Nevada.

Nature of Involvement

As of September 30, 2018, other than the application submitted by BioCannabis Products Ltd., a wholly-owned subsidiary of the Corporation, to Health Canada to become a licensed producer under Health Canada's former ACMPR (now the Cannabis Act, as of October 17, 2018), all of the Corporation's revenue was directly derived from U.S. cannabis-related activities, based on the existing operations of the Corporation in Arizona and Nevada. On June 8, 2018, the Corporation acquired a cultivation and production facility in Peterborough, Ontario. The Corporation is also furthering an associated application with Health Canada, pursuant to the Cannabis Act, to commence operations as a holder of a Standard Cultivation Licence for the purposes of producing cannabis and cannabis products in Canada.

RESULTS OF OPERATIONS

Statements of Operations

The following relates only to U.S. cannabis-related-activities which is all of the activity of MPX for the three and six months ended September 30, 2018:

Figures in CDN $	Three months ended September 30,		Six months ended September 30,	
	2018 ($)	2017 ($)	2018 ($)	2016 ($)
Revenue	14,673,713	4,406,091	29,138,702	8,871,529
Gross Profit	6,412,869	2,877,081	11,334,000	5,612,504
Operating Expenses	(12,116,745)	(3,894,888)	(22,178,113)	(7,107,413)
Adjusted EBITDA	(1,039,383)	(315,600)	(2,841,846)	(213,276)
Loss from Operations	(5,703,876)	(1,017,807)	(10,844,113)	(1,494,909)
Net Loss	(17,167,639)	(1,484,294)	(29,255,217)	(2,274,869)
Comprehensive Loss	(19,222,830)	(3,882,144)	(30,262,564)	(6,177,455)
Net loss per share basic and diluted	(0.05)	(0.02)	(0.08)	(0.02)

Consolidated Balance Sheets

	As at September 30, 2018 ($)	As at March 31, 2018 ($)
Cash	17,655,170	8,503,724
Current Assets	36,249,440	20,793,256
Total Assets	206,624,507	150,405,652
Current Liabilities	9,365,478	18,581,530
Total Liabilities	123,552,868	68,371,060
Shareholders' Equity	76,507,581	75,307,544

Revenue

For the three months ending September 30, 2018, MPX posted revenue of $14,673,713 (US$11,230,732) (three months ending September 30, 2017 - $4,406,091 (US$3,508,180)). For the six months ending September 30, 2018, MPX posted revenue of $29,138,702 (US$22,433,177) (six months ending September 30, 2017 - $8,871,529 (US$6,828,455)).

Revenue for the quarter ending September 30, 2018, increased 1.4% to $14,673,713 (US$11,230,732) from the prior quarter ending June 30, 2018, which reported $14,464,989 (US$11,202,445).

A summary of the Corporation's quarterly revenue since the acquisition of the Arizona operations is presented below:

Three Months Ended	Revenue ($)	Revenue (US$)
September 30, 2018	14,673,713	11,230,732
June 30, 2018	14,464,989	11,202,445
March 31, 2018	7,980,065	6,216,406
December 31, 2017	4,481,046	3,521,576
September 30, 2017	4,406,091	3,508,180
June 30, 2017	4,465,438	3,320,275
March 31, 2017	4,383,962	3,311,575

Revenue from the current period was generated primarily by the Corporation's Arizona management operations including sales from the four dispensaries in Arizona to patients holding medical marijuana use cards issued by the State as well as wholesale sales of and MPX™-branded concentrates to other licensed dispensaries operating within the State.

Total revenues for the quarter were $14,673,713 (US$11,230,445) which was up 1.4% over the previous three-month period.

Cost of Sales

Figures in CDN $	Three months ended September 30,		Six months ended September 30,	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Cost of sales (excluding unrealized gain from changes in the fair market value of biological assets)	10,259,713	2,528,440	21,650,362	5,195,415
Unrealized gain from changes in the fair value of biological assets	1,998,869	999,430	3,845,660	1,936,390
Cost of sales (including unrealized gain from changes in the fair market value of biological assets)	8,260,844	1,529,010	17,804,702	3,259,025

Cost of sales for cannabis, cannabis extractions and edibles, and from related-accessories are derived from costs related to the internal cultivation and production of medical cannabis and from purchases made from other licensed producers operating within the state of Arizona and Nevada. Inventory of plants under production is considered a biological asset. Under IFRS, biological assets are to be recorded at fair value at the time of harvest, less costs to sell, which are transferred to inventory and the transfer becomes the deemed cost on a go-forward basis. When the product is sold, the fair value is relieved from inventory and the transfer is booked to cost of sales. In addition, the cost of sales also includes products and costs related to other products acquired from other producers and sold by the Corporation.

Gross Profit

Figures in CDN $	Three months ended September 30, 2018 ($)	Three months ended September 30, 2017 ($)	Six months ended September 30, 2018 ($)	Six months ended September 30, 2016 ($)
Sales	14,673,713	4,406,091	29,138,702	8,871,529
Cost of sales (excluding unrealized gain from changes in the fair market value of biological assets)	10,259,713	2,528,440	21,650,362	5,195,415
Gross profit	4,414,000	1,877,651	7,488,340	3,676,114
Percent of sales	30.1%	42.6%	25.7%	41.4%
Unrealized gain from changes in fair market value of biological assets	1,998,869	999,430	3,845,660	1,936,390
Gross profit (including unrealized gain from changes in the fair market value of biological assets)	6,412,869	2,877,081	11,334,000	5,612,504
Percent of sales	43.7%	65.3%	38.9%	63.3%

Gross profit for the three months ending September 30, 2018, before adjustment for the unrealized gain in the fair value of biological assets was $4,414,000 which represents a gross margin of 30.1%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $6,412,869 calculated at 43.7% of sales.

Gross profit for the six months ending September 30, 2018, before adjustment for the unrealized gain in the fair value of biological assets was $7,488,340 which represents a gross margin of 25.7%. Gross profit after adjustment for the unrealized gain in the fair value of biological assets was $11,334,000 calculated at 38.9% of sales. As part of the Arizona acquisition, a portion of the sales are through a co-packed arrangement which generates lower gross margins.

Expenses

Figures in CDN $	Three months ended September 30, 2018 ($)	Three months ended September 30, 2017 ($)	Six months ended September 30, 2018 ($)	Six months ended September 30, 2016 ($)
General and administrative	7,316,753	2,434,384	13,046,986	4,641,251
Professional Fees	1,741,737	758,297	3,116,623	1,184,529
Share-based compensation	2,312,028	181,577	4,601,019	363,837
Amortization and depreciation	746,227	520,630	1,413,485	917,796
	12,116,745	3,894,888	22,178,113	7,107,413

Professional fees increased to $1,741,737 for the three months ended September 30, 2018, as compared to $758,297 in the comparable period. This increase is due to the change in volume and complexity of accounting and legal services required by the Corporation driven by growth and acquisitions. These fees include expenses related to audit, taxation and legal work, government and investor relations, consulting and costs associated with Board of Directors.

Professional fees increased to $3,1116,623 for the six months ended September 30, 2018, as compared to $1,184,529 in the comparable period.

As part of the Corporation's incentive stock option plan, the Corporation recognized $2,312,028 of share-based compensation for the three months ended September 30, 2018 as compared to $181,577 in the comparable period.

For the six months ended September 30, 2018, the Corporation recognized $4,601,019 of share-based compensation for the six months ended September 30, 2018, as compared to $363,837 in the comparable period.

The increase in amortization and depreciation relates to intangible and capital assets acquired in Q3 and Q4 of Fiscal 2018.

General and administrative expenses for the three and six months ended September 30, 2018, are allocated as follows:

	Three months ended September 30,		Six months ended September 30, 2016	
Figures in CDN $	**2018 ($)**	**2017 ($)**	**2018 ($)**	**2017 ($)**
Occupancy costs	634,967	289,699	1,156,916	440,123
Consulting fees	372,955	248,972	1,184,939	545,733
Office and general	1,570,928	427,573	3,062,844	844,754
Repairs and maintenance	77,988	20,390	143,915	68,901
Salaries and benefits	3,700,857	1,282,883	6,297,684	2,487,901
Project costs	683,871	-	683,871	-
Sales and marketing	221,064	115,271	359,956	156,096
Regulatory expenses	54,123	49,596	156,861	97,743
	7,316,753	2,434,384	13,046,986	4,641,251

Overall, the increase in general and admin costs for the three and six months ended September 30, 2018, as compared to the three and six months ended September 30, 2017, was largely due to increases in salaries and benefits, consulting fees to third parties, office and general due to a full year of existing operations, new acquisitions coming on board and preparing for the Corporation's expanding operations, in particular Maryland and Massachusetts operations.

Other Income and Expenses

	Three months ended September 30,		Six months ended September 30,	
Figures in CDN $	**2018 ($)**	**2017 ($)**	**2018 ($)**	**2017 ($)**
Foreign exchange	(674,202)	(28,643)	200,656	25,112
Interest income	(1,562)	40,634	(1,529)	(26,502)
Accretion expense	1,429,579	11,332	2,027,038	13,459
Inventory write-down	528,088	-	528,088	-
Share of loss of joint venture	44,149	-	44,149	-
Change in the fair value of derivative liability	7,489,308	(1,898)	10,067,088	(101,367)
Loss on fair value of convertible loan	1,668,636	-	2,290,905	-
Interest & financing costs	977,242	235,929	3,232,915	484,785
Transaction costs	2,525	209,133	21,794	384,473
	11,463,763	466,487	18,411,104	779,960

The accretion expenses for the three and six months ended September 30, 2018, of $1,429,579 and $2,027,038 respectively primarily relate to the convertible loan.

The change in the value of convertible loan for the three and six months ended September 30, 2018, of $1,668,636 and $2,290,905 respectively relates to the convertible loan.

The change in the value of derivative liability for the three and six months ended September 30, 2018, of $7,489,308 and $10,067,088 respectively relates primarily to the Hi-Med Facility.

The increase in interest and financing costs to $977,242 and 3,232,915 respectively for the three and six months ended September 30, 2018, from $235,929 and $484,785 respectively in the prior year relates primarily to the Hi-Med Facility and financing costs for the convertible loan.

The Corporation recorded $2,525 and $21,794 of transaction costs for the three and six months ended September 30, 2018, respectively compared to $209,133 and $384,473 respectively in the prior year.

The Corporation recorded losses of $44,149 for the three and six months ended September 30, 2018 in relation to its joint venture with MPX Bioceutical Australia Ltd.

For the three and six months ended September 30, 2018, management identified a write-down on inventory and have recognized an expense of $528,088 (USD $406,561).

Adjusted EBITDA (Non-IFRS Measure)

	Three months ended September 30,		Six months ended September 30, 2016	
Figures in CDN $	**2018 ($)**	**2017 ($)**	**2018 ($)**	**2017 ($)**
Loss from operations	(5,703,876)	(1,017,807)	(10,844,113)	(1,494,909)
Adjustments				
Share-based compensation	2,312,028	181,577	4,601,019	363,837
Amortization and depreciation	746,227	520,630	1,413,485	917,796
Consulting fees settled by:				
Equity instruments	85,139	-	169,351	-
Startup costs – Massachusetts and Maryland	898,478	-	1,195,791	-
Application fees for licences not granted	622,621	-	622,621	-
Adjusted EBITDA	(1,039,383)	(315,600)	(2,841,846)	(213,276)

Non-IFRS Measures

The Corporation uses "Adjusted Gross Profit" and "Adjusted EBITDA" as measures in the MD&A, which are not defined under IFRS. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period.

"**Adjusted Gross Profit**" is a metric used by management which is calculated by removing the non-cash effects of accounting for biological assets and the non-cash effect of accounting for inventory acquired through acquisition at fair value on inventory sold during the period.

"**Adjusted EBITDA**" is a metric used by management which is income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock-based compensation expense, amortization and depreciation, non-cash occupancy costs, and the non-cash effects of accounting for biological assets and the non-cash effect of accounting for inventory acquired through acquisition at fair value. Management believes "Adjusted EBITDA" is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

Net Loss

Net comprehensive loss for the three months ended September 30, 2018, as $19,222,830 (2017 – $3,882,144). The increase in net comprehensive loss is mainly attributed loss from operations of $5,703,876, interest and financing charges of $977,242 (2017 - $235,929) associated with the Hi-Med Facility and the term loan related to the AZ Business and transaction costs for the convertible loan allocated to the conversion options, loss on fair value of convertible loan of $1,668,636 (2017 - $Nil) – non-cash item, change in fair value of derivative liabilities of $7,489,308 (2017 – loss of $1,898) – non-cash item, a gain on exchange differences in the translation of U.S. operations due to the increase of the Canadian dollar versus the U.S. dollar of $674,202 (2017 $28,643), and income tax expense of $321,961 (2017 - $527,155), accretion expenses of $1,429,579 (2017 - $11,332), share of loss of joint venture $44,149, an inventory write-down of $528,088 and a loss on exchange differences on translating foreign operations $1,733,230 (2017 – loss of $1,870,695).

Net comprehensive loss for the six months ended September 30, 2018, as $30,262,564 (2017 – $6,177,455). The increase in net comprehensive loss is mainly attributed loss from operations of $10,844,113 interest and financing charges of $3,232,915 (2017 - $484,785) associated with the Hi-Med Facility and the term loan related to the AZ Business and transaction costs for the convertible loan allocated to the conversion options, loss on fair value of convertible loan of $2,290,905 (2017 - $Nil) – non-cash item, change in fair value of derivative liabilities of $10,067,088 (2017 – loss of $101,367) – non-cash item, a loss on exchange differences in the translation of U.S. operations due to the decrease of the Canadian dollar versus the U.S. dollar of $200,656 (2017 $25,112), and income tax expense of $1,016,017 (2017 - $770,636), accretion expenses of $2,027,038 (2017 - $13,549), share of loss of joint venture $44,149, an inventory write-down of $528,088 and gain on exchange differences on translating foreign operations $8,670 (2017 – loss of $3,131,950).

Basic and Diluted Loss per MPX Share

The basic and diluted loss per MPX Share for the three months ended September 30, 2018, totaled $0.05 versus $0.02 for the three months ended September 30, 2017.

The basic and diluted loss per MPX Share for the six months ended September 30, 2018, totaled $0.08 versus $0.02 for the six months ended September 30, 2017.

Summary of Quarterly Results

Three Months Ended	Total Assets ($)	Comprehensive Loss ($)	Comprehensive Loss ($) Per Share
September 30, 2018	206,624,507	19,222,830 (1)	(0.05)
June 30, 2018	212,939,367	11,039,668 (2)	(0.03)
March 31, 2018	150,405,652	3,022,202 (3)	(0.01)
December 31, 2017	132,325,446	9,606,881 (4)	(0.04)
September 30, 2017	74,930,846	3,902,923 (5)	(0.01)
June 30, 2017	79,522,206	2,274,532 (6)	(0.01)
March 31, 2017	72,930,112	3,507,636 (7)	(0.02)
December 31, 2016	96,785	554,306 (8)	(0.01)
September 30, 2016	86,449	293,059 (9)	(0.01)

Notes:

(1) Comprehensive loss of $19,222,830 consists primarily of revenue of $14,673,713, cost of sales of $10,259,713 unrealized gain from changes in the fair value of biological assets of $1,998,869, operating expenses of $12,116,745, interest and financing costs of $977,242, transaction costs of $2,525, loss on fair value of convertible loan $1,668,636, change in fair value of derivative liability of $7,489,308, foreign exchange gain of $674,202, an income tax expense of $321,961, accretion expenses of $1,429,579, share of loss of joint venture $44,149, inventory write-down of $528,088, interest income of $1,562 and a loss on foreign exchange re US operations of $1,733,230

(2) Comprehensive loss of $11,039,668 consists primarily of revenue of $14,464,989, cost of sales of $11,390,649 unrealized gain from changes in the fair value of biological assets of $1,846,791, operating expenses of $10,061,368 interest and financing costs of $2,255,673, transaction costs of $19,269, loss on fair value of convertible loan $622,269, change in fair value of derivative liability of $2,577,780, foreign exchange expense of $874,858, an income tax expense of $694,056 and accretion expenses of $597,459 and a gain on foreign exchange re US operations of $1,741,900.

(3) Comprehensive loss of $3,022,202 consists primarily of revenue of $7,980,065, cost of sales of $6,152,348 unrealized gain from changes in the fair value of biological assets of $1,189,439, operating expenses of $8,342,559 interest and financing costs of $798,474, transaction costs of $290,309 and write-down of inventory $763,808. These expenses were offset by a gain in the fair value of derivative liability of $1,464,518, an income tax recovery of $794,583 and a gain on foreign exchange re U.S. operations of $2,298,291.

(4) Comprehensive loss of $9,606,881 consists primarily of revenue of $4,481,046, cost of sales of $2,927,976, unrealized gain from changes in the fair value of biological assets of $999,250, operating expenses of $5,270,804, change in the fair value of derivative liability of $9,242,765, interest and financing costs of $669,684, transaction costs of $428,808 and exchange differences re U.S. operations of $382,157. These expenses were offset by income tax recovery of $3,751,622 related to a change in future tax estimates based on U.S. income tax rates.

(5) Comprehensive loss of $3,902,923 consists primarily of revenue of $4,406,091, cost of sales of $2,528,440, unrealized gain from changes in the fair value of biological assets of $999,430, operating expenses of $3,894,888, foreign exchange gain of $28,643, change in the fair value of derivative liability of $1,898, interest and financing costs of $235,929, transaction costs of $209,133 income tax expense of 527,155 and exchange differences re U.S. operations of $1,870,695.

(6) Comprehensive loss of $2,274,532 consists primarily of revenue of $4,465,438, cost of sales of $2,666,975, unrealized gain from changes in the fair value of biological assets of $936,960, operating expenses of $3,212,525, foreign exchange expense of $53,755, change in the fair value of derivative liability of $99,469, interest and financing costs of $248,856, transaction costs of $175,340 and exchange differences re U.S. operations of $1,240,476.

(7) Comprehensive loss of $3,507,636 consists primarily of revenue of $4,383,962, cost of sales of $4,291,312, unrealized gain from changes in the fair value of biological assets of $936,974, operating expenses of $4,824,237, foreign exchange gain of $139,570, change in the fair value of derivative liability of $160,058, interest and financing costs of $248,856 and transaction costs of $175,340.

(8) Comprehensive loss of $554,306 consists primarily of revenue of operating expenses of $371,310, and transaction costs of $169,437.

(9) Comprehensive loss of $293,059 consists primarily of revenue of operating expenses of $291,619.

Selected Statement of Financial Position Figures

	As at September 30, 2018 ($)	As at March 31, 2018 ($)
Cash and cash equivalents	17,665,170	8,503,724
Inventory	10,126,145	6,469,970
Biological assets	1,767,979	1,273,424
Other current assets	6,690,146	4,546,138
Non-current assets	170,375,067	129,612,396
Current and long-term debt	61,278,672	38,112,707
Accounts payable, accrued liabilities and income tax payable	8,136,401	5,051,964
Other long-term liabilities	54,137,795	25,206,389
Shareholders' equity	83,071,639	82,034,592

As at September 30, 2018, the Corporation had cash and cash equivalents available of $17,665,170, up from $8,503,724 at March 31, 2018. This increase from March 31, 2018, was mainly due to cash used in operations of $8,427,678, cash purchases of acquisitions and capital expenditures $18,748,880, offset by cash inflows from net cash from financing activities primarily driven by the convertible loan and proceeds from warrant exercise of $36,326,349 and a gain on exchange on cash of $11,655.

As of September 30, 2018, the Corporation had inventory of $10,126,145, up from $6,459,970 at March 31, 2018. The increase in inventory was driven by gearing up in Arizona and Nevada for production.

As of September 30, 2018, the Corporation had Biological Assets of $1,767,979, up from $1,273,424 at March 31, 2018.

As of September 30, 2018, the Corporation had other current assets of $6,690,146, up from $4,546,138 at March 31, 2018. This was due to increases in accounts receivable of $973,634, a decrease in prepaid expenses of $49,086, an increase in assets held for sale of $9,639 and an increase in amount due from a related party of $1,209,821 at September 30, 2018.

As of September 30, 2018, the Corporation had non–current assets of $170,375,067 up from $129,612,396 at March 31, 2018, mainly due to the acquisition of Canveda during quarter one 2018. Property, plant and equipment increased by $18,164,536 (Canveda acquisition and capital expenditures), intangible assets increased by $22,657,194 (Canveda acquisition), goodwill decreased by $212,001, deposits increased by $56,601 and the acquisition of a joint venture $96,341 (MPX Bioceutical Australia).

As of September 30, 2018, the Corporation had current and long-term debt of $61,278,672, up from $38,112,707 at March 31, 2018, due to increased financing requirements due to acquisitions. The increase in long-term debt was primarily due to the convertible loan which accounts for $34,813,115 of the overall increase. The current term loan with a balance of $12,249,300 at March 31, 2018, was also repaid in full at the end of quarter one 2018.

As of September 30, 2018, the Corporation had accounts payable and accrued liabilities of $8,136,401 up from $5,051,964 at March 31, 2018, mainly driven by acquisitions and higher accounts payables at September 30, 2018, and income tax payable of $284,682 up from $33,444 at March 31, 2018.

As of September 30, 2018, the Corporation had other long-term liabilities of $54,137,795, up from $25,206,389 at March 31, 2018. This was due to increases in the option component of convertible debentures and credit facility of $4,412,965, an increase in deferred income taxes of $747,548, a decrease in lease inducement of $28,653 and the option component of the convertible loan of $23,799,546.

As of September 30, 2018, the Corporation had shareholders' equity of $83,071,639 up from $82,034,592 at March 31, 2018. This was due to increases in share capital of $21,513,897 (primarily Canveda), warrants of $4,696,530, accumulated deficit of $25,010,390 and an increase in non-controlling interest of $162,990.

Selected Statement of Cash Flows Figures

The chart below highlights the Corporation's cash flows during the six months ended September 30, 2018 and 2017:

	As at September 30, 2018 ($)	As at September 30, 2017 ($)
Operating activities	(8,427,678)	(3,686,287)
Investing activities	(18,748,880)	(9,208,435)
Financing activities	36,326,349	(2,815,815)
Cash and cash equivalents, beginning of period	8,503,724	21,519,289
Effect of exchange rate fluctuations on cash	11,655	(1,030,666)
Cash and cash equivalents, end of period	17,655,170	4,778,086

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities during the six months ended September 30, 2018 was a loss of $8,427,678, primarily made up of the net loss of $30,271,234, the following operating activities; depreciation and amortization of $1,413,485, total share-based compensation of $4,601,019, accretion expenses of $2,027,038, change in fair value of derivative liability of $10,067,088, loss on the fair value of the convertible loan of $2,290,905, share of loss of joint venture $44,149 unrealized foreign exchange gain of $385,313, unrealized gain on biological assets of $3,845,660, warrants issued for services rendered $169,351, interest and financing charges $2,915,899 and income tax expense of $1,016,017. Changes in non-cash working capital amounted to $1,529,578 (inventory and accounts payable).

In comparison, the cash used in operating activities during the six months ended September 30 2017, was a loss of $3,686,287, primarily made up of the net loss of $3,045,505, the following operating activities; depreciation and amortization of $917,796, total share-based compensation of $363,837, accretion expenses of $13,459, change in fair value of derivative liability of ($101,367), interest expenses of $2,019, income tax expense of $770,636, unrealized foreign exchange loss of $25,112, unrealized gain on biological assets of $1,936,390 and income tax repayments of $863,968. Changes in non-cash working capital amounted to a loss of $168,084.

CASH FROM INVESTING ACTIVITIES

The cash used in investing activities during the six months ended September 30, 2018, of $18,748,880 was primarily due to purchase of property plant and equipment of $15,962,408 (Canveda acquisition and capital expenditure), the purchase of intangible assets of $2,646,132 (Canveda acquisition) and the joint venture acquisition of $140,340.

In comparison, the cash used in investing activities during the six months ended September 30, 2017, of $9,208,435 was primarily due to the purchase of property plant and equipment of $4,334,005, the purchase of intangible assets of

$5,007,650 and restricted cash of $133,220.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the six months ended September 30, 2018, of $36,326,349 was primarily due to proceeds from convertible debt of $51,896,000 and proceeds from the exercise of warrants of $1,745,919. This was partially offset by advances to related parties of $1,209,821, repayment of a term loan of $12,249,300, repayment of a promissory note of $12,400, repayment of contingent consideration $573,500 and interest and financing charges paid of $3,270,549.

In comparison, the cash used in financing activities during the six months ended September 30, 2017, of $2,815,815 was due to proceeds from the issuance of private placements, net of issuance costs of $2,050,460, proceeds from the exercise of stock options of $3,433, and the repayment of a promissory note of $20,534. This was offset by advances to related parties of $4,849,174.

Liquidity

MPX intends to generate adequate cash to fund its business operations. However, the Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Initiatives in U.S. markets outside of Arizona, specifically Nevada, Maryland and Massachusetts and to Canada. Accordingly, the Corporation expects to raise additional capital, both in the form of debt and new equity offerings during the next fiscal year.

Financing Activities During the Period

On May 25, 2018, the, Corporation completed an offering of senior secured convertible debentures maturing on May 25, 2021, representing a principal amount of US$49,257,572.60 ($63,054,618.69) issued at an original issue discount of US$812.06 ($1,039.52) per US$1,000 ($1,280.10) of principal amount for net proceeds of US$40,000,000 ($51,204,000) through MPX Luxembourg. The Convertible Debentures are convertible into units of MPX at the option of the holder at any time prior to the Maturity Date at a conversion price of $0.74 per Debenture Unit. Each Debenture Unit is comprised of one (1) MPX Share and one-half (1/2) common share purchase warrant entitling the holder thereof to purchase one (1) MPX Share at a price of $1.01 per MPX Share on or prior to the Maturity Date. In connection with their services under the Debenture Offering, the Corporation paid cash fees, commission and other financing costs of US$2,000,000 and issued an aggregate of 1,704,178 commission warrants. Each Commission Warrant entitles the holder to acquire one Debenture Unit at an exercise price of $0.74 per Debenture Unit until the Maturity Date with the exercise price of the underlying Debenture Warrants that form part of such Debenture Units being $1.01 per MPX Share.

Capital Resources

As at September 30, 2018, the Corporation had cash of $17,655,170 (March 31, 2018 - $8,503,724) to meet its current liabilities of $9,365,478 (March 31, 2018 - $18,581,530). The Corporation had working capital of $26,883,962 (March 31, 2018 – $2,211,726). MPX is an early-stage corporation. It is generating cash from sales and is deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are being utilized for acquisitions in the medical and adult-use cannabis industry, for capital expenditures and improvements in existing facilities, product development and marketing, as well as customer, supplier and investor and industry relations.

Capital Management

The Corporation manages its capital with the following objectives to:

- ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity. The Corporation manages capital through its financial and

operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the period ended September 30, 2018. The Corporation is not subject to any external capital requirements.

Financial Instruments and Risk Management

Fair values

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The promissory note receivable, term loan and convertible notes were originally recorded at fair value and subsequently at amortized cost that approximates the fair value of the instruments due to current market rates and consistency of credit spread.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not subject to any interest rate volatility as its promissory note, term loan and convertible notes are carried at a fixed interest rate throughout their term.

Credit risk

Credit risk is the risk of economic loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's accounts receivable and promissory note receivable. As at September 30, 2018, and September 30, 2017, the Corporation is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash of $17,665,170 (March 31, 2018 - $8,503,724) and accounts receivable of $2,260,359 (March 31, 2018 - $1,286,725) represent the maximum exposure to credit risk. The cash balances are held by Canadian and U.S. banks.

The Corporation's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Corporation based on its assessment of the current economic environment.

The Corporation does not have significant exposure to any individual customer and has estimated bad debts of $Nil and $Nil at September 30, 2018, and March 31, 2018, respectively.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At September 30, 2018, the Corporation had $17,665,170 (March 31, 2018 - $8,503,724) of cash and working capital of $26,883,962 (March 31, 2018 – $2,211,726).

Foreign currency risk

The Corporation has operations in Canada and the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the U.S. dollar. The sensitivity of the Corporation's net loss to a 10% change in the Canadian dollar exchange rate relative to the U.S. dollar would not have a material impact on the Corporation's net loss.

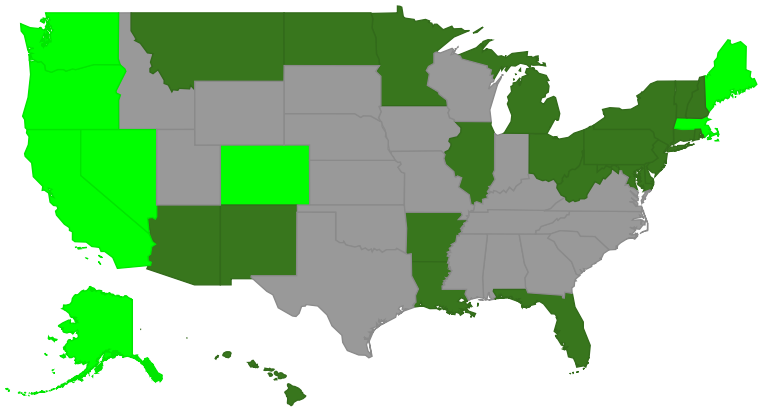
Outlook

On October 18, 2018, the Corporation announced that it had signed an arrangement agreement with iAnthus Capital Holdings, Inc. ("**iAnthus**") pursuant to which iAnthus will combine with MPX in an all-stock transaction (the "**Merger**"). See "*Subsequent Events*" for additional details.

Until such time as the closing of the Merger, the Corporation will continue to pursue its objectives for the fiscal year ending March 31, 2019.

The frenetic pace of expansion within the medical and "adult - use" cannabis sectors during the past several months have produced both challenges and opportunities for industry participants. Among key developments are:

1. Expansion of the number of U.S. states now permitting the sale of some form of cannabis product. Currently 97% of the U.S. population lives in a state or district with at least one law that permits the manufacture, distribution or possession of cannabis or cannabis concentrates. Thirty states and the District of Columbia currently have passed laws broadly legalizing marijuana in some form. Ten states and the District of Columbia have adopted the most expansive laws legalizing marijuana for recreational use. Most recently, sales of recreational-use marijuana in California kicked off on January 1, 2018. In Massachusetts, retail sales of cannabis are expected to start later this year in. Voters in Maine similarly approved a ballot measure legalizing marijuana in 2016. The state, however, has not yet adopted rules for licensed marijuana growers or retailers, nor has it began accepting licenses. Gov. Paul LePage vetoed a bill that would have established a legal framework for sales of the drug. The vast majority of states allow for limited use of medical marijuana under certain circumstances. Some medical marijuana laws are broader than others, with types of medical conditions that allow for treatment varying from state to state. Louisiana, West Virginia and a few other states allow only for cannabis-infused products, such as oils or pills. Other states have passed narrow laws allowing residents to possess cannabis only if they suffer from select rare medical illnesses. A number of states have also decriminalized the possession of small amounts of marijuana. The below map shows current state laws and recently-approved ballot measures legalizing marijuana for medical or recreational purposes. Final rules for recently-passed medical marijuana laws are pending in some states. Information is current as of September 30, 2018.



Marijuana Legalization Status

- Medical marijuana broadly legalized
- Marijuana legalized for recreational use
- No broad laws legalizing marijuana

(Map Source: Governing.com)

2. U.S. Congressional support for federal protection of states' rights to regulate the cannabis industry is increasing. Since March of last year, no less than 15 separate pieces of bipartisan legislation have been introduced in the U.S. Congress that would protect and/or facilitate the use of medical cannabis and the related industry participants. While all have been prevented by the respective Republican committee chairs from reaching the floor of the House or the Senate for a vote, the number of members of Congress supporting these bills continues to grow. An October 2017 Gallup poll suggested that 64% of Americans support the full legalization of marijuana, including a majority of Republican voters. The Mid-term elections this November has changed the complexion of a then Republican-controlled Congress as the Democratic Party won a sufficient number of seats to control the House of Representatives with the Republican's maintaining a majority of the Senate. While there is no guarantee, it is hopeful that pro-cannabis legislation can move forward. President Trump has indicated his willingness to sign such legislation. Eventual federal legalization is generally considered to be just a question of timing.

3. The cannabis industry is becoming global. There are currently 30 countries that have given the green light to medical or adult - use of cannabis in some capacity, as well as a small handful of others that allow medical marijuana use within very strict guidelines, such as in the form of cannabis-derived pharmaceuticals. The emergence of an international market affords industry participants, especially those from Canada and those countries that allow import/export of cannabis concentrates, the opportunity to expand sales beyond domestic markets.

As the pace of legalization continues to accelerate, so do opportunities for companies like MPX to expand their footprint into other U.S. States. Additionally, both the U.S. and Canadian markets are witnessing a consolidation of cannabis enterprises and significant competition for new and existing licences.

This acceleration of industry growth has resulted in the need for companies like ours to rapidly increase internal capabilities, add additional staffing, invest in training, utilize external resources for real estate search and acquisition, increase lobbying efforts and government interactions, increase spend on public relations and promotion, conferences, and investor activities. These expenses represent an investment for future growth and are critical to ensuring our ability to exploit expansion opportunities and successful execution of MPX's market potential.

Arizona

Our first acquisition in Arizona was intended to be a "platform acquisition" adding significant revenues, cash flows, identifiable brands and industry expertise. While that objective was clearly achieved, the near-term plan in Arizona is to continue to expand the Corporation's presence in the State, both through capacity expansion and additional acquisitions. Our first step in that direction was the addition of a third management agreement as part of the PerkAZ Acquisition third dispensary which opened in the Apache Junction suburb of Phoenix, Arizona, in April of this year. The Corporation believes this part of the market is underserved and the new dispensary has potential to add incremental revenues to its Arizona operations during the remaining 6 months of fiscal 2019.

The summer season in the Greater Phoenix area tend to be lower revenue months for cannabis sales as many residents, and in particular the "snowbirds", often return to more northerly climes and locals However, MPX's operations generated revenues of CDN$13.6 million during the slowest quarter of the year and we expect continued solid results through the balance of our fiscal 2019.

While the cannabis sector in Arizona is competitive and we have seen some pricing and margin compression, the overall growth and profitability levels remain attractive, particularly when compared to some other North American markets. The number of patients continues to increase and the list of chronic conditions for which cannabis can be used point to a continued growth in the volume of grams beings sold and subsequent revenues. The Corporation's continued growth in the Arizona market is dependent on its ability to increase production, particularly in terms of increased volumes of its higher-margin MPX brand concentrates. To accomplish this goal, the Arizona processing operations were re-located to the new Mesa North facility which was opened in May 2018, where considerable additional space is available (see

"Corporate and Operational Updates" – "Expanded Production of MPX Concentrates" above). Along with the relocation, we have added additional equipment, which has the potential to triple the processing capacity of concentrate to 1.1 million grams per annum.[1] The new facility became operational during the late spring of 2018.

The relocation of the production facility will free up additional cultivation space in the Mesa East location and add approximately 15% more flower and trim production space.

The acquisition of The Holistic Center and its related businesses in March of 2018 represents a significant boost to our Arizona footprint. The business is fully integrated with 15,000 square feet of indoor cultivation and a production lab producing "Black Label" and "Timeless" brand concentrates. The dispensary, located in the northwestern section of Phoenix, brings the number of retail outlets managed by the Corporation in Phoenix to four. With revenues historically averaging over US $1 million a month (and as to future performance, there is no guarantee), this operation is the best performing dispensary under our control. This acquisition represents a solid addition to our industry and presence in Arizona, a State that offers MPX one of the best-regulated, yet industry-supportive markets in the country. The entities acquired have recorded trailing 12-month revenues of US$15 million and EBITDA of approximately US$3.5 million and its results will immediately be accretive to MPX earnings. As well, the acquired companies are well-managed and will allow both parties to share best practices and benefit from the ability to share purchase economies.

Finally, the addition of production and revenues from the Panaxia agreement (as discussed below) will add to our overall results in Arizona during the fiscal Q4 2019..

Massachusetts

The ballot initiative in November of 2016 added Massachusetts as the first large east coast State to authorize the adult-use of cannabis. With a population of 6 million and an additional 26 million people within driving distance of the State, Massachusetts is anticipating that it will quickly develop a robust legal cannabis market and become a marijuana tourist destination exceeding the success experienced by Colorado. With the acquisition of a controlling interest in a marijuana enterprise in Massachusetts, the Corporation intends to become a significant participant in this market and is currently building-out a 40,000 square feet cultivation and production facility (the "**Mass Facility**") capable of producing 2.25 million grams per annum[2] and a dispensary in the community of Fall River. The production of cannabis per square foot in the Mass Facility will be consistent with historical output in MPX facilities.

As well, MPX has secured zoning approval for an additional dispensary in Attleboro, Massachusetts, and is negotiating zoning approval for a third Massachusetts dispensary. We expect to commence cultivation during the first quarter of 2019 and full operation of the two dispensaries (Fall River and Attleboro) during the first quarter of 2019.

Nevada

The State of Nevada accelerated the introduction of legal adult-use with the State's "Early Start" program on July 1, 2017, which caught most market participants a little flat footed. That observation notwithstanding, Nevada, and particularly Las Vegas, is expected to become one of the most expansive cannabis markets in the country during the balance of fiscal 2019 and into the future. Since the launch of adult-use at the beginning of summer, the market has experienced a shortage of available supply and a significant increase in pricing. As a result, the State of Nevada is expected to license several new dispensaries later this year and there is considerable discussion about the licensing of "cannabis lounges" by the end of 2018. MPX is anxious to participate in this market and expects to launch its involvement with the acquisition of GreenMart NV. With a fully built-out cultivation and production facility operating at full capacity, GreenMart NV can produce 1.6 million grams of dried flower and 85,000 grams of high-margin MPX brand concentrate annually. [5]

[1] These statements constitute forward-looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. MPX believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however these expectations may not prove to be correct.

[2] These statements constitute forward-looking information related to possible events, conditions or financial performance based on future economic conditions and courses of action. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially. MPX believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however these expectations may not prove to be correct.

After some operational problems earlier in our fiscal year, the Nevada cultivation, processing and packaging facility in North Las Vegas is now functioning at full capacity and contributed CDN$1 million in revenue to the Corporation's top line in Q2 with further revenue improvement anticipated during the balance of this fiscal year.

Maryland

Maryland launched its medical cannabis program earlier this year and the Corporation expects to be a participant in this fledgling market through the acquisition of management contracts and an option to acquire three dispensary licenses and one production license, all in the Baltimore/Bethesda area and a supply contract with one of the largest of the 15 cultivation licensees. All three dispensaries and the one production facility have been opened and are operational in Q3.

Panaxia

The Panaxia arrangement provides for the establishment of four GMP pharmaceutical-grade facilities over the next several months and the launch of up to 32 "pharma-grade" cannabis-based products into the Arizona and Massachusetts markets (as well as Maryland and Nevada, following the successful build-out of the applicable facilities) and points to the possibility of a material contribution to the revenues of MPX. Products will be sold under MPX's "Salus Biopharma" brand in the U.S. and elsewhere.

Panaxia and MPX have entered into a letter of intent to extend the arrangement to Canada and final agreements are expected by late summer.

Canveda

MPX's wholly-owned subsidiary, Canveda Inc. ("Canveda") is a licensed producer under the Cannabis Act (Canada) located in Peterborough, Ontario, capable of producing high quality cannabis flower in its fully built-out 12,000 square foot facility. Canveda received its cultivation license on June 12, 2017 and applied on October 15, 2018 for an amendment to its license to produce cannabis oil using ethanol. It has also applied for a sales license to distribute cannabis products in Canada under the provisions of the Cannabis Act (Canada).

Canveda is scheduled to harvest its initial crop in November 2018 and expects to be into full production by the end of the first calendar quarter 2019. The Corporation intends also to develop an onsite retail outlet in accordance with recently announced Ontario provincial policies regarding retail outlets operated by licensed producers.

Owen Sound, Ontario

Following receipt of an updated correspondence from Health Canada in respect of the Corporation's application for a producer license under the former ACMPR, the Corporation renewed its efforts with respect to the planning and build-out of its Owen Sound cultivation and production facility. Considerable progress has been made during the past several weeks and management will be providing an update to investors in the coming weeks. The acquisition of a Canadian licensed producer during the late spring of 2018 (see "Acquisition of Canadian Licensed Producer" in the Business of the Company and Summary of Activities – Acquisition section above), will now allow MPX to apply for an additional (secondary location) licence, a process which is much quicker. We have secured applicable building permits from the City of Owen Sound and expect to commence first phases of construction in calendar Q1 2019. One of the first projects will involve the installation of the Panaxia facility allowing MPX to commence selling its Salus Biopharma brand into the Canadian Market (and potentially for export).

The Corporation continues to explore other avenues for revenue and profit growth by deploying a plan of internal capacity expansion, product diversification, acquisition and licensing opportunities in other states and in Canada as medical and adult-use regulations are introduced and expanded.

Related Party Transactions

Related party transactions not disclosed elsewhere are summarized below:

As at September 30, 2018, the Corporation has an outstanding term loan of $12,894,000 (US$10,000,000) (March 31, 2018 - $12,894,000 (US$10,000,000)), due to a trust whose beneficiary is an officer of the Corporation (Elizabeth Stavola). In connection with this loan, the Corporation recorded an interest expense for the three and six months ended September 30, 2018 of $258,900 (US$200,000) and $517,800 (US$400,000) respectively, (three and six months ended September 30, 2017 $250,704 (US$200,000) and $519,680 (US$400,000) respectively). As at September 30, 2018, $Nil (March 31, 2018 $257,880) of interest is payable and is recorded in accounts payable and accrued liabilities.

As at September 30, 2018, the Corporation was owed $1,445,137 (USD $1,116,367) (March 31, 2018 - $157,952 (USD $122,500)) from companies at which a principal is an officer of the Corporation (Elizabeth Stavola) and this amount is included in due from related parties.

As at September 30, 2018, the Corporation was owed $25,271 (September 30, 2017 - $Nil) from an employee of the Corporation (Shay Shnet). This amount was paid back subsequent to the three and six months ended September 30, 2018.

For the six months ended September 30, 2018, the Corporation recorded $169,351 (US$131,863) (September 30, 2017 - $Nil) of consulting fees to a company of which directors of the Corporation are senior members. (Robert Galvin and Andrew Ryan). These fees are associated with warrants granted in a prior period.

For the six months ended September 30, 2018, the Corporation recorded $21,875 (US$16,853) (September 30, 2017 - $Nil) of consulting fees to a director of the Corporation. (Randy Stafford).

For the six months ended September 30, 2018, the Corporation recorded $194,835 (US$150,000) of consulting fees to a company of which directors of the Corporation are senior members (Robert Galvin and Andrew Ryan). Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Corporation. Remuneration of directors and key management personnel of the Corporation was as follows:

	Three months ended September 30,		Six months ended September 30,	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Salaries and benefits	300,129	128,961	573,982	313,155
Share-based compensation	951,189	113,686	1,737,162	227,800
	1,251,948	242,647	2,311,144	540,955

The above-noted transactions are in the normal course of business and are measured at the exchange amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At September 30, 2018, each of the directors with control of less than 10% of the MPX Shares collectively control 6,581,986 MPX Shares or approximately 1.71% of the total MPX Shares outstanding.

Commitments and contingencies

Legal Claims

2017 Claim

The Corporation was served with an amended statement of claim on June 22, 2017, by Marrelli Support Services Inc. ("**MSSI**"). The Claim was commenced in the Ontario Superior Court of Justice and seeks damages, in respect of engagement of a former Marrelli employee for breach of contract, inducing breach of contract, breach of honest dealings,

breach of fiduciary and trust duties, knowingly assisting in the breach of said duties and unjust enrichment in the amount of $500,000, plus punitive and exemplary damages in the amount of $50,000.

The Corporation is vigorously defending the Claim and has filed its Defence with the Court. Pleadings have not closed and documentary discovery has not been completed. As a result, it is premature to further assess the merits of the allegations at this time.

2018 Claim

On July 13, 2018, a statement of claim by Joe Shane ("Shane") was filed in the District Court of Clark County, Nevada claiming breach of contract, breach of oral contract against the Corporation, CGX Life Sciences Inc., a wholly-owned subsidiary of the Corporation and W. Scott Boyes, Chairman, President and Chief Executive Officer of the Corporation. (the "Claim") The Claim seeks damages for lost profits, income, fees, assets, stock and incidental and consequential damages, to be compensated in accordance with the reasonable value of his services all in excess of $50,000.The Corporation is vigorously defending the Claim and has responded to the Court. Pleadings have not closed and documentary discovery has not been completed. As a result, it is premature to further assess the merits of the allegations at this time.

Leases

The Corporation's minimum lease payments are as follows:

2019	$ 817,217
2020	1,471,963
2021	1,445,042
2022	1,444,738
2023	1,392,112
2024 and beyond	3,735,984
	$ 10,307,055

Services Agreement

On April 1, 2017, the Corporation entered into a services agreement (the "**Tequesta Agreement**") with Tequesta Properties Inc. ("**Tequesta**") whereby Tequesta will provide the following services to MPX for a service fee of US$30,000.00 per month: (i) support and analysis for the acquisition of cannabis dispensary, cultivation and production entities in the U.S.; (ii) general administrative services, including, accounting, treasury management, bookkeeping, financial analysis, contract management, project management, human resources support, procurement services, corporate governance, and oversight of Corporation policies and procedures; and (iii) assisting with the structuring and evaluation of financing proposals as required to further the growth and profitability of MPX. The term of the Tequesta Agreement is twenty-four (24) months.

On October 30, 2017, the Corporation entered into an agreement with Canadian Capital, LLC ("**Canadian Capital**") to provide the Corporation with executive management, operations, administrative, finance and tax services for term of three (3) years.

In consideration of the services rendered hereunder, the Corporation issued 900,000 MPX Shares and the following common share purchase warrants expiring on October 30, 2022, as follows:

(1) 1,200,000 warrants at an exercise price of $0.35 vesting immediately;

(2) 900,000 warrants at an exercise price of $0.60 which shall vest on the one (1) year anniversary of the agreement; and

(3) 900,000 warrants at an exercise price of $1.00 which shall vest on the two (2) year anniversary of agreement.

As further consideration of the services rendered hereunder, the Corporation shall issue to Canadian Capital the following:

(1) 900,000 MPX Shares on the one (1) year anniversary of the agreement; and

(2) 900,000 MPX Shares on the two (2) year anniversary of the agreement.

Members of Canadian Capital include certain directors of the Corporation.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation, including, and without limitation, such considerations as liquidity and capital resources.

RISKS AND UNCERTAINTIES

Risk Factors

Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the business and/or return to the investors.

Market Price and Volatility of MPX Shares

Securities have experienced an extreme level of price and volume volatility over the past few years and the market price of securities of many companies has experienced wide fluctuations which, in many cases, have not necessarily been related to the performance, underlying asset values or prospects of such companies. The trading price of the MPX Shares has been, and may continue to be, subject to large fluctuations and, therefore, may result in losses to investors. In addition, following periods of volatility in the market price of a corporation's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Corporation's business, condition, prospects and reputation.

Internal Controls

The failure to implement and maintain proper and effective internal controls and disclosure controls could result in material weaknesses in our financial reporting, such as errors in our financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in our reported financial information and disclosure, which could negatively impact our share price.

We do not expect that our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Access to Capital

We have limited capital resources and operations. To date, our operations have been funded entirely from the proceeds of debt and equity financings including the Unit Offering that raised gross proceeds of $28,705,779.43 in December 2017 and January 2018 and the Debenture Offering that raised principal amount of net proceeds of $51,204,000. We expect to require substantial additional capital in the near future to continue operations at the ABACA, GreenMart NV, HFL, Soothing Options and Rosebud cultivation and production facilities, as applicable, and ABACA, HFL, Soothing Options, THC LLC, GreenMart NV and Budding Rose dispensaries, start-up operations at CMI and GreenMart MD and LMS,

expand our product lines, develop our intellectual property base, and establish our targeted levels of commercial production. We may not be able to obtain additional financing on terms acceptable to us, or at all. If we fail to raise additional capital, as needed, our ability to implement our business model and strategy could be compromised.

Even if we obtain financing for our near-term operations, we expect that we will require additional capital thereafter. Our capital needs will depend on numerous factors including: (i) our profitability; (ii) the release of competitive products by our competition; (iii) the level of our investment in research and development; and (iv) the amount of our capital expenditures, including acquisitions. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

Although the Corporation has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to companies in the U.S. cannabis industry. There can be no assurance that additional financing, if raised privately, will be available to the Corporation when needed or on terms which are acceptable.

Dilution

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by our existing shareholders will be reduced and our shareholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of the MPX Shares. If we raise additional capital by incurring debt, this will result in increased interest expense. If we raise additional funds through the issuance of securities, market fluctuations in the price of the MPX Shares could limit our ability to obtain equity financing.

We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. If we are unable to raise capital when needed, our business, financial condition, and results of operations would be materially adversely affected, and we could be forced to reduce or discontinue our operations.

Global Economic Conditions

Our business, financial condition, results of operations, and cash flow have been, and may in the future be, negatively impacted by challenging global economic conditions.

The recent global economic slowdown has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and declining consumer and business confidence, which has led to decreased levels of consumer spending. These macroeconomic developments have and could continue to negatively impact our business, which depends on the general economic environment and levels of consumer spending. As a result, we may not be able to maintain our existing customers or attract new customers, or we may be forced to reduce the price of our products. We are unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on our business, financial condition, results of operations, and cash flow.

No Guaranteed Return

There is no guarantee that an investment in the MPX Shares will earn any positive return in the short, medium or long term. There is no assurance that holders of the MPX Shares will receive cash distributions or any rate of return on, or repayment of, their investment in the MPX Shares. In fact, an investor could lose its entire investment in the MPX Shares.

Unknown Value of the MPX Shares

The value of the MPX Shares is subject to the ability of the Corporation to build equity in the enterprise. If insufficient proceeds are raised and alternative financing is not available, the completion of the Corporation's business plan may not be fulfilled. There can be no assurance that a profitable business will be achieved by the Corporation.

Tax

Canadian federal and provincial and U.S. federal and State tax issues should be taken into consideration prior to investing in the MPX Shares. The return on an investor's investment is subject to taxes and to changes in Canadian and U.S. tax laws. There can be no assurance that tax laws, regulations or judicial or administrative interpretations of these laws and

regulations will change in a manner that fundamentally alters the tax consequences to investors holding or disposing of the MPX Shares. If you are purchasing the MPX Shares outside of Canada, you should consult your own tax advisor for advice for your local jurisdiction.

Limited Operating History

Prior to the PerkAZ Acquisition, the Corporation and the AZ Business each had a limited operating history, which may make it difficult for investors to predict future performance based on current operations.

In particular, we have not proven that we can supply Soothing Option's or HFL's line of cannabis pure concentrates in a manner that enables us to be profitable and meet customer requirements. As well, we have not proven that we can (i) obtain or renew the necessary permits and/or achieve certain milestones to develop the business; (ii) enhance Soothing: Option's or HFL's lines of cannabis flowers, cannabis cigarettes, and pure concentrates; (iii) develop and maintain relationships with key manufacturers and strategic partners to extract value from our intellectual property; (iv) raise sufficient capital in the public and/or private markets; (v) or respond effectively to competitive pressures. As a result, there can be no assurance that we will be able to develop or maintain consistent revenue sources, or that our operations will be profitable and/or generate positive cash flow.

Reliance on Management

Decisions regarding the management of the Corporation's affairs will be made exclusively by the officers and directors of the Corporation and not by the holders of the MPX Shares. Accordingly, investors must carefully evaluate the personal experience and business performance of the officers and directors of the Corporation. The Corporation may retain independent contractors to provide services to the Corporation. Generally, these contractors have no fiduciary duty to the holders of the MPX Shares or the Corporation.

Difficulty in Recruiting and Retaining Management and Key Personnel

Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.

Our future success largely depends upon the continued services of our executive officers and management team, especially the Corporation's COO, Ms. Elizabeth M. Stavola. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Additionally, we may incur additional expenses to recruit and retain new executive officers. If any of our executive officers joins a competitor or forms a competing corporation, we may lose some or all of our customers. Finally, we do not maintain "key person" life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in the MPX Shares.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industries. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

Unreliability of Forecasts

Any forecasts we make about our operations may prove to be inaccurate. We must, among other things, determine appropriate risks, rewards, and level of investment in our product lines, respond to economic and market variables outside of our control, respond to competitive developments and continue to attract, retain, and motivate qualified employees. There can be no assurance that we will be successful in meeting these challenges and addressing such risks and the failure to do so could have a materially adverse effect on our business, results of operations, and financial condition. Our prospects must be considered in light of the risks, expenses, and difficulties frequently encountered by companies in the early stage of development. As a result of these risks, challenges, and uncertainties, the value of your investment could

be significantly reduced or completely lost.

Managing Growth

We may not be able to effectively manage our growth or improve our operational, financial, and management information systems, which would impair our results of operations.

In the near term, we intend to expand the scope of our operations activities significantly. If we are successful in executing our business plan, we will experience growth in our business that could place a significant strain on our business operations, finances, management, and other resources. The factors that may place strain on our resources include, but are not limited to, the following:

(1) the need for continued development of our financial and information management systems;

(2) the need to manage strategic relationships and agreements with manufacturers, customers, and partners; and

(3) difficulties in hiring and retaining skilled management, technical, and other personnel necessary to support and manage our business.

Additionally, our strategy envisions a period of rapid growth that may impose a significant burden on our administrative and operational resources. Our ability to effectively manage growth will require us to substantially expand the capabilities of our administrative and operational resources and to attract, train, manage, and retain qualified management and other personnel. There can be no assurance that we will be successful in recruiting and retaining new employees or retaining existing employees.

We cannot provide assurances that our management will be able to manage this growth effectively. Our failure to successfully manage growth could result in our sales not increasing commensurately with capital investments or otherwise materially adversely affecting our business, financial condition, or results of operations.

Inability to Innovate and Find Efficiencies

If we are unable to continually innovate and increase efficiencies, our ability to attract new customers may be adversely affected.

In the area of innovation, we must be able to develop new technologies and products that appeal to our customers. This depends, in part, on the technological and creative skills of our personnel and on our ability to protect our intellectual property rights. We may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Website

Prospective customers may be deterred from doing business with a corporation with a significant nationwide online presence because of fears of federal or state enforcement of laws prohibiting possession and sale of medical or adult-use marijuana.

Our website is visible in jurisdictions where medicinal and/or adult-use of marijuana is not permitted and, as a result, we may be found to be violating the laws of those jurisdictions. We could lose potential customers as they could fear federal prosecution for growing marijuana with CGX's equipment, reducing our revenue. In most States in which the production and sale of marijuana have been legalized, there are additional laws or licenses required and some States altogether prohibit home cultivation, all of which could make the loss of potential customers more likely.

Operational Risk

The Corporation will be affected by a number of operational risks and the Corporation may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as

inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Corporation's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Corporation's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Corporation's future cash flows, earnings and financial condition. Also, the Corporation may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Corporation cannot insure or which the Corporation may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

Reliance on third-party suppliers, manufacturers and contractors; Reliance on Key Inputs

The Corporation's business is dependent on a number of key inputs from third-parties and their related costs including raw materials and supplies related to its cultivation and production operations, as well as electricity, water and other local utilities. Due to the uncertain regulatory landscape for regulating cannabis in the U.S., the Corporation's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Corporation's operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs form third-parties could materially impact the business, financial condition and operating results of the Corporation. Some of these inputs may only be available from a single supplier or a limited group of suppliers in the future. If the Corporation becomes reliant upon a sole source supplier and it was to go out of business or suspend services, the Corporation might be unable to find a replacement for such source in a timely manner or at all. Similarly, if any future sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Corporation in the future. Additionally, any supplier could at any time suspend or withdraw services. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Corporation's business, financial condition and operating results.

Revenue Shortfalls

Revenue shortfalls from budget may result from lower than expected sales volume, sale price and/or inventory due to inadequate marketing or lower than expected market stimulation. Average sales prices may be less than budgeted due to aggressive competitor pricing below the Corporation's prices.

Permits and Authorizations

We may not obtain the necessary permits and authorizations to operate the business.

ABACA, HFL, Soothing Options and THC LLC in Arizona, Canveda in Canada, Budding Rose, GreenMart MD, LMS and Rosebud in Maryland, CMI in Massachusetts and GreenMart NV in Nevada, may not be able to obtain or maintain the necessary licenses, permits, authorizations, or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, we may not be able to comply fully with the wide variety of laws and regulations applicable to the medical marijuana industry. Failure to comply with or to obtain or maintain the necessary licenses, permits, authorizations, or accreditations could result in restrictions on our ability to operate the medical marijuana business, which could have a material adverse effect on our business.

Potential for Conflict of Interest

All decisions to be made by such directors and officers involving the Corporation are required to be made in accordance with their duties and obligations to act honestly and in good faith with a view to the best interests of the Corporation. In addition, such directors and officers are required to declare their interests in, and such directors are required to refrain from voting on any matter in which they may have a material conflict of interest.

Intellectual Property

If we fail to protect our intellectual property, our business could be adversely affected.

Our viability will depend, in part, on our ability to develop and maintain the proprietary aspects of our technology to distinguish our products from our competitors' products. We rely on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect our intellectual property.

The Corporation will not be able to register any United States federal trademarks or patents for its cannabis products. Due to producing, manufacturing, processing, possessing, distributing, selling, and using cannabis being a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any patent or trademark that identifies cannabis products. As a result, the Corporation likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states in which it operates by one or more other persons could have a material adverse effect on the value of such trademarks.

Any infringement or misappropriation of our intellectual property could damage its value and limit our ability to compete. We may have to engage in litigation to protect the rights to our intellectual property, which could result in significant litigation costs and require a significant amount of our time. In addition, our ability to enforce and protect our intellectual property rights may be limited in certain countries outside the U.S., which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by us.

Competitors may also harm our sales by designing products that mirror the capabilities of our products or technology without infringing on our intellectual property rights. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, our competitiveness could be impaired, which would limit our growth and future revenue.

We may also find it necessary to bring infringement or other actions against third parties to seek to protect our intellectual property rights. Litigation of this nature, even if successful, is often expensive and time- consuming to prosecute and there can be no assurance that we will have the financial or other resources to enforce our rights or be able to enforce our rights or prevent other parties from developing similar technology or designing around our intellectual property.

Although we believe that our technology does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred or may occur, which could have a material adverse effect on our business.

We are not aware of any infringement by us of any person's or entity's intellectual property rights. In the event that products we sell are deemed to infringe upon the patents or proprietary rights of others, we could be required to modify our products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that we would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon our business.

There can be no assurance that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If our products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, we could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on our business and our financial condition.

Trade Secrets

Our trade secrets may be difficult to protect.

Our success depends upon the skills, knowledge, and experience of our scientific and technical personnel, our consultants and advisors, as well as our licensors and contractors. Because we operate in several highly competitive industries, we rely in part on trade secrets to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality or non-disclosure agreements with our corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third parties confidential information developed by the receiving party or

made known to the receiving party by us during the course of the receiving party's relationship with us. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to us will be our exclusive property, and we enter into assignment agreements to perfect our rights.

These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to us. Our trade secrets also could be independently discovered by competitors, in which case we would not be able to prevent the use of such trade secrets by our competitors. The enforcement of a claim alleging that a party illegally obtained and was using our trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the U.S. may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect our competitive position.

Fluctuations in Currency Exchange Rates

Fluctuations in currency exchange rates may adversely affect the Corporation's financial position. Fluctuations in currency exchange rates may significantly impact the Corporation's financial position and results. The Corporation does not have in place a policy for managing or controlling foreign currency risks since, to date, its primary activities have not resulted in material exposure to foreign currency risk.

Lack of Earnings and Dividend Record

The Corporation has no earnings or dividend record. The Corporation has not paid dividends on its MPX Shares since incorporation and does not anticipate doing so in the foreseeable future. Payments of any dividends will be at the discretion of the MPX Board after taking into account many factors, including the financial condition and current and anticipated cash needs of the Corporation.

Market Price and Volatility of MPX Shares

Securities have experienced an extreme level of price and volume volatility over the past few of years and the market price of securities of many companies has experienced wide fluctuations which, in many cases, have not necessarily been related to the performance, underlying asset values or prospects of such companies. The trading price of the MPX Shares has been, and may continue to be, subject to large fluctuations and, therefore, may result in losses to investors. In addition, following periods of volatility in the market price of a corporation's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Corporation's business, condition, prospects and reputation.

Insurance Coverage

Our insurance coverage may be inadequate to cover all significant risk exposures. We will be exposed to liabilities that are unique to the products we provide. While we intend to maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs resulting from risks and uncertainties of our business. It is also not possible to obtain insurance to protect against all operational risks and liabilities. The failure to obtain adequate insurance coverage on terms favorable to us, or at all, could have a material adverse effect on our business, financial condition, and results of operations. We do not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources.

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk.

We could be found to be violating laws related to medical cannabis.

Currently, there are 30 States plus the District of Columbia, Puerto Rico and Guam that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Other States are considering similar legislation. Conversely, under the CSA, the policies and regulations of the federal government and its agencies are that cannabis has no proven medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Unless and until Congress amends the CSA with respect to medical cannabis, as to the timing or scope of any such amendments there can be no assurance, there is a

risk that federal authorities may enforce current U.S. federal law. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain. This would cause a direct and adverse effect on our subsidiaries' businesses, or intended businesses, and on our revenue and prospective profits.

Marijuana is a Schedule-I controlled substance and is illegal under U.S. federal law. Even in those States in which the use of marijuana has been legalized, its use remains a violation of U.S. federal law. Since U.S. federal law criminalizing the use of marijuana pre-empts State laws that legalize its use, strict enforcement of U.S. federal law regarding marijuana would likely result in our inability to proceed with our business plan, especially in respect of ABACA, Budding Rose, CMI, GreenMart MD, GreenMart NV, HFL, LMS, Rosebud, Soothing Options, THC LLC.

Laws and regulations affecting the medical marijuana industry are constantly changing, which could detrimentally affect the operations of ABACA, Budding Rose, CMI, GreenMart MD, GreenMart NV, HFL, LMS, Rosebud, Soothing Options, THC LLC and the business of the Corporation.

Local, State, and federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of our business plan and result in a material adverse effect on certain aspects of our planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of our proposed medical marijuana businesses through ABACA, Budding Rose, CMI, GreenMart MD, GreenMart NV, HFL, LMS, Rosebud, Soothing Options and THC LLC, and our business of selling cannabis products. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Change of Cannabis Laws

It is possible that U.S. federal or State legislation could be enacted in the future that would prohibit us (or other licensed dispensaries to which we may potentially sell or distribute in accordance with the laws of any State) from selling Soothing Options' and HFL's products, and if such legislation were enacted, our revenues could decline, leading to a loss of shareholder investment. Additionally, it is possible that regulatory bodies could impose new restrictions on our ability to operate in the U.S. which could lead to a loss of shareholder investment.

Anti-money laundering laws and regulations

The Corporation is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FCEN**") of the Treasury Department issued a memorandum (the "**FCEN Memo**") providing instructions to banks seeking to provide services to marijuana-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to marijuana-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General James Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on marijuana-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. 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 Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Corporation has no current intention to declare or pay dividends on the MPX Shares in the foreseeable future, in the event that a determination was made that the Corporation's proceeds from operations (or any future operations or

investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Investments in the United States may be subject to heightened scrutiny

For the reasons set forth above, the Corporation's existing operations in the U.S., and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation 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 Corporation's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Government policy changes or public opinion may also result in a significant influence over the regulation of the marijuana industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical marijuana in the U.S. 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 marijuana, thereby limiting the number of new state jurisdictions into which the Corporation could expand. Any inability to fully implement the Corporation's expansion strategy may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Settlements of Trades

Recently, there have been reports in the media that The Canadian Depository for Securities Limited, Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets, is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), a wholly-owned subsidiary of the TMX Group Limited, may refuse to settle trades for cannabis issuers that have investments in the United States. CDS or its parent company has not issued any public statement about these reports. However, if CDS were to refuse the settlement of such trades, such a policy would apply to the Corporation and may have a material adverse effect on the ability of holders of MPX Shares to make trades. In particular, the MPX Shares could become illiquid as investors may have limited ability to affect a trade of the MPX Shares through the facilities of a stock exchange.

Access to Banks

We may have difficulty accessing the service of banks, which may make it difficult for us to operate.

Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues. The inability to open or maintain bank accounts or take credit cards may make it difficult for us to operate our contemplated medical marijuana businesses.

Consumer Acceptance of Marijuana

We are dependent on the popularity of consumer acceptance of the Corporation's product lines.

Our ability to generate revenue and be successful in the implementation of the Corporation's business plan is dependent on consumer acceptance and demand of the Corporation's medical marijuana product lines. Acceptance of the Corporation's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If these customers do not accept the Corporation's products, or if we fail to meet the needs and expectations of customers adequately, our ability to continue generating revenues could be reduced.

A drop in the retail price of medical marijuana products may negatively impact the business.

The demand for the Corporation's products depends in part on the price of commercially-grown marijuana. Fluctuations in economic and market conditions that impact the prices of commercially-grown marijuana, such as increases in the

supply of such marijuana and the decrease in the price of products using commercially-grown marijuana, could cause the demand for marijuana products to decline, which would have a negative impact on our business.

Security Risks

As cash businesses, the premises of the marijuana dispensaries are a target for theft. While the Corporation has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. In the event of robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment could have a material adverse impact on the business, financial condition and results of operation of the Corporation.

As the Corporation's business involves the movement and transfer of cash which is collected from dispensaries and used to purchase trim, accessories etc. or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Corporation has engaged a security firm to provide armed guards and security in the transport and movement of large amounts of cash. Sales representatives sometimes transport cash and/or products and each sales representative has a panic button in their vehicle and, if requested, may be escorted by armed guards. While the Corporation has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Competition

We face intense competition and many of our competitors have greater resources that may enable them to compete more effectively.

The industries in which we operate in general are subject to intense and increasing competition. Some of our competitors may have greater capital resources, facilities, and diversity of product lines, which may enable them to compete more effectively in this market. Our competitors may devote their resources to developing and marketing products that will directly compete with our product lines. Due to this competition, there is no assurance that we will not encounter difficulties in obtaining revenues and market share or in the positioning of our products. There are no assurances that competition in our respective industries will not lead to reduced prices for our products. If we are unable to successfully compete with existing companies and new entrants to the market this will have a negative impact on our business and financial condition.

Risk of Litigation

If we incur substantial liability from litigation, complaints, or enforcement actions, our financial condition could suffer.

The participation by the Corporation, its subsidiaries and entities managed thereby in the medical marijuana industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, State, or local governmental authorities against these subsidiaries. Litigation, complaints, and enforcement actions involving these subsidiaries could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our sales, revenue, profitability, and growth prospects. ABACA, Budding Rose, HFL, Soothing Options and THC LLC are presently engaged in the distribution of marijuana; however, we have not been, and are not currently, subject to any litigation, complaint or enforcement action regarding marijuana brought by any federal, State, or local governmental authority with respect to the business.

Litigation may adversely affect our business, financial condition, and results of operations.

From time-to-time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business and the results of our operations.

Risks Inherent in an Agricultural Business

The Corporation's business involves the growing of medical 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 Corporation 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

Reliance on License

The Corporation's ability to cultivate, store, produce and distribute medical marijuana products in Arizona, Maryland, Massachusetts and Nevada is dependent on maintaining its licenses in good standing with each applicable State regulator. Failure to comply with the requirements of any of its licences or any failure to maintain any of its licences would have a material adverse impact on the business, financial condition and operating results of the Corporation. The Corporation's licences related to its ability to cultivate, store, produce and distribute medical marijuana products in Arizona, Massachusetts and Nevada is currently in good standing and the Corporation remains fully compliant with the respective associated state laws and regulations.

Product Liability

As a distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Corporation's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Corporation. Although the Corporation has secured product liability insurance, and strictly enforces a quality standard within the operations, there can be no assurances that the Corporation will be able to maintain its product liability insurance on acceptable terms or with adequate coverage against potential liabilities. This scenario could prevent or inhibit the commercialization of the Corporation's potential products. To date, there have been no product related issues.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 Corporation has detailed procedures in place for testing finished 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 Corporation's significant brands were subject to recall, the image of that brand and the Corporation as its owner could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by the FDA, Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Regulatory or Agency proceedings, Investigations and Audits

The Corporation's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Corporation to regulatory or agency proceedings or investigations and could also lead to

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

U.S. Customs and Boarder Protection – Denial of Entry to Canadian Investors

It has been reported that Canadian's seeking entry to the United States, for both leisure and business purposes, have been denied entry to the United States and permanently banned from entering the Untied States due to their investments in U.S. marijuana companies due to the fact that both medical and recreational cannabis are illegal under federal law. The U.S. Customs and Boarder Protection agency has stated that determinations about admissibility are made on a case-by-case basis by a customs and border protection officer based on the facts and circumstances known to the officer at the time of entry. Canadian investors are warned that investing in the Corporation may result in such investors inadmissibility to the United States due to the Corporation's involvement in the cannabis industry.

The medical cannabis industry and market are relatively new in Canada and this industry and market may not continue to exist or grow as anticipated or the Corporation may be ultimately unable to succeed in this new industry and market.

As a licensed producer, the Corporation is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

As a result of the Cannabis Act, and once in force, the ability of Canadians to purchase adult-use cannabis, individuals who currently rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products. Factors that will influence this decision include the price of medical cannabis products in relation to similar adult-use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult-use cannabis products, the types of cannabis products available to adult-users and limitations on access to adult-use cannabis products imposed by the regulations under the Cannabis Act and the legislation governing distribution of cannabis that will be enacted by the individual provinces and territories of Canada. These factors will not be ascertainable by us until after the regulations under the Cannabis Act and the individual provincial and territorial legislation providing for the legalization of adult-use cannabis are implemented.

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

The Corporation's growth strategy contemplates receiving a sale license for its facility in Peterborough, Ontario (the "**Peterborough Facility**"), the build out of its facility in Owen Sound, Ontario (the "**Owen Sound Facility**"), as well as receipt of its cultivation, processing and sale licences for the Owen Sound Facility under the Cannabis Act. There is a risk that these targets 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:

- 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, storms, or physical attacks.

Construction Risk Factors

The Corporation is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, and the receipt of required governmental approvals and permits in connection with the construction of the Owen Sound Facility. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Corporation is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of the Owen Sound Facility as planned. There can be no assurance that current or future construction plans implemented by the Corporation will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Corporation will be able to obtain all necessary governmental approvals and permits; or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Peterborough Facility and the Owen Sound Facility

The Peterborough Facility is, and the Owen Sound Facility is expected to become, integral to the Corporation's business in Canada and adverse changes or developments affecting either of the Peterborough Facility or the Owen Sound Facility may impact the Corporation's business, financial condition and results of operations in Canada. The Corporation's ability to grow, process, package, store and sell dried cannabis and cannabis extracts, for medical and recreational purposes in Canada is dependent on the Corporation's current Health Canada license under the Cannabis Act covering the Peterborough Facility (the "**Peterborough License**").

The Peterborough License is specific to the Peterborough Facility. Adverse changes or developments affecting the Peterborough Facility, including but not limited to a *force majeure* event or a breach of security, could have a material adverse effect on the Corporation's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Corporation's ability to continue operating under the Peterborough License or the prospect of renewing the Peterborough License or obtaining a sale license or would result in a revocation of the Peterborough License.

The Corporation is expecting to complete the build-out of its Owen Sound Facility, and the Corporation has also applied for the Owen Sound License and expects that the Owen Sound Facility has the potential to significantly increase the Corporation's cultivation, growing and manufacturing capacity. However, no assurance can be given that Health Canada will approve the Owen Sound License. If the Corporation is unable to secure the Owen Sound License, the expectations of management with respect to the increased future cultivation and growing capacity may not be borne out, which could have a material adverse effect on the Corporation's business, financial condition and results of operations in Canada. Further, construction delays or cost over-runs in respect of the build-out of the Owen Sound Facility, howsoever caused,

could have a material adverse effect on the Corporation's business, financial condition and results of operations in Canada.

The Corporation is reliant on cultivation licenses to produce medical cannabis products in Canada

The Corporation is dependent upon the Peterborough License for its ability to grow, store and sell medical cannabis and other products derived therefrom and the Peterborough License is subject to obtaining a sales license as well as ongoing compliance, reporting requirements and renewal.

The Peterborough License was last amended on June 12, 2017. Although the Corporation believes it will meet the requirements of the ACMPR to obtain its sales license and for future renewals of the Peterborough License, there can be no guarantee that Health Canada will grant a sales license or renew the Peterborough License or, if renewed, that it will be renewed on the same or similar terms or that Health Canada will not revoke the Peterborough License. Should the Corporation fail to comply with the requirements of the Peterborough License or should Health Canada not renew the Peterborough License when required or renew the Peterborough License on different terms or revoke the Peterborough License, there would be a material adverse effect on the Corporation's business, financial condition and results of operations in Canada.

Government licenses are currently, and in the future may be, required in connection with the Corporation's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Corporation may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Further, the Corporation is subject to ongoing inspections by Health Canada to monitor its compliance with licensing requirements. The Corporation's existing license and any new licenses that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that such license holders are found not to be in compliance with applicable law. Should the Corporation fail to comply with the applicable regulatory requirements or with conditions set out under the licenses, should the licenses not be renewed when required, or be renewed on different terms, or should the licenses be revoked, the Corporation may not be able to continue producing or distributing cannabis in Canada or other jurisdictions.

In addition, the Corporation may be subject to enforcement proceedings resulting from a failure to comply with applicable regulatory requirements in Canada or other jurisdictions, which could result in damage awards, a suspension of existing approvals, a withdrawal of existing approvals, the denial of the renewal of existing approvals or any future approvals, recalls of products, product seizures, the imposition of future operating restrictions on the business or operations or the imposition of civil or criminal fines or penalties against the Corporation, its officers and directors and other parties. These enforcement actions could delay or entirely prevent the Corporation from continuing the production, testing, marketing, sale or distribution of its products and divert management's attention and resources away from our business operations.

The Corporation'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 stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Government environmental approvals and permits are currently and may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation 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 Corporation 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 size of the Corporation's target market is difficult to quantify, and investors will be reliant on their own estimates of the accuracy of market data.

Since 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 Corporation and, few, if any, established companies whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation'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 Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation 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 Corporation 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 Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

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 Corporation to receive their product, the Corporation 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 Corporation. Any delay by third party transportation services may adversely affect the Corporation's financial performance.

Moreover, security of the product during transportation to and from the Corporation's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Corporation's business, financials and prospects. Any such breach could impact the Corporation's future ability to continue operating under its licenses or the prospect of renewing its licenses.

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

Research in Canada 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 early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Corporation 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 to those stated in this prospectus 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 Corporation's products with the potential to lead to a material adverse effect on the Corporation's business, financial condition and results of operations.

There may be restrictions on the type and form of marketing it can undertake which could materially impact sales performance.

The development of the Corporation's future business and operating results in Canada may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Corporation's ability to compete for market share in a manner similar to other industries. If the Corporation 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 Corporation's sales and operating results could be adversely affected.

Competition for market share with other companies, including other producers licensed by Health Canada, some of which have longer operating histories and more financial resources and manufacturing and marketing experience.

The Corporation faces intense competition from other licensed producers and other potential competitors, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation. In addition, it is possible that the medical cannabis industry will undergo consolidation, creating larger companies with greater financial resources, manufacturing and marketing capabilities and product offerings. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed, on terms we consider acceptable, or at all.

There are currently hundreds of applications for licensed producer status being processed by Health Canada. The number of licenses granted and the number of licensed producers ultimately authorized by Health Canada could have an adverse impact on the Corporation's ability to compete for market share in Canada's cannabis industry. We expect to face additional competition from new market entrants that are granted licenses under the Cannabis Act, or existing license holders that are not yet active in the industry. If a significant number of new licenses are granted by Health Canada, we may experience increased competition for market share and may experience downward price pressure on our cannabis products as new entrants increase production.

We also face competition from unlicensed and unregulated market participants, including individuals or groups that are able to produce cannabis without a license similar to that under which we currently produce and illegal dispensaries and black market participants selling cannabis and cannabis-based products in Canada. These competitors may be able to offer products with higher concentrations of active ingredients than the Corporation is authorized to produce and sell and using delivery methods, including edibles, concentrates and extract vaporizers, that we are currently prohibited from offering to individuals in Canada. The competition presented by these participants, and any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licensed producers for any reason, or any inability of law enforcement authorities to enforce existing laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products, could adversely affect our market share, result in increased competition through the black market for cannabis or have an adverse impact on the public perception of cannabis use and licensed cannabis producers and dealers.

In addition, the Cannabis Act permits patients in Canada to produce a limited amount of cannabis for their own purposes or to designate a person to produce a limited amount of cannabis on their behalf for such purposes (if authorized to do so). Widespread reliance upon this allowance could reduce the current or future consumer demand for our medical cannabis products.

If the number of users of cannabis for medical purposes in Canada increases, the demand for products will increase. This could result in the competition in the medical cannabis industry becoming more intense as current and future competitors begin to offer an increasing number of diversified medical cannabis products. Conversely, if there is a contraction in the medical market for cannabis in Canada, resulting from the legalization of adult-use cannabis or otherwise, competition for market share may increase. To remain competitive, we intend to continue to invest in research and development and sales and patient support; however, we may not have sufficient resources to maintain research and development and sales and patient support efforts on a competitive basis.

In addition to the foregoing, the legal landscape for medical cannabis use is changing internationally. We have operations outside of Canada, which may be affected as other countries develop, adopt and change their cannabis laws. Increased international competition, including competition from suppliers in other countries who may be able to produce at lower cost, and limitations placed on us by Canadian or other regulations, might lower the demand for our medical cannabis products on a global scale.

On October 17, 2018, the Canadian Federal Government passed the "Cannabis Act", outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the

existing baselines, such as increasing the minimum age for purchase and competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The adult-use cannabis market in Canada may become oversupplied in anticipation of, or following the implementation of, the Cannabis Act and the related legalization of cannabis for adult-use.

In anticipation of a surge in demand for cannabis as a result of the expected implementation of the Cannabis Act and the legalization of adult cannabis use, the Corporation and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and proposed adult-use markets, and we may be unable to export that oversupply into other markets where cannabis use is fully legal under all federal and state or provincial laws. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that we would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability.

The Corporation's business is subject to a variety of U.S. and foreign laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm the Corporation's business.

We are subject to a variety of laws in the United States, Canada and elsewhere. In the United States, despite cannabis having been legalized at the state level for medical use in many states and for adult-use in a number of states, cannabis continues to be categorized as a Schedule I controlled substance under the federal CSA, and subject to the Controlled Substances Import and Export Act, ("**CSIEA**"). Violations of any U.S. federal laws and regulations, such as the CSA and the CSIEA, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the U.S. federal government or private citizens or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

We are subject to a variety of laws and regulations in the United States, Canada and elsewhere that prohibit money laundering, including the Proceeds of Crime and Terrorist Financing Act (Canada) and the Money Laundering Control Act (United States), as amended, and the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by governmental authorities in the United States, Canada or any other jurisdiction in which we have business operations or to which we export. Although we believe that none of the Corporation's activities implicate any applicable money laundering statutes, in the event that any of the Corporation's business activities, any dividends or distributions therefrom, or any profits or revenue accruing thereby are found to be in violation of money laundering statutes, such transactions may be viewed as proceeds of crime under one or more of the statutes described above or any other applicable legislation, and any persons, including such U.S.-based investors, found to be aiding and abetting us in such violations could be subject to liability. Any violations of these laws, or allegations of such violations, could disrupt the Corporation's operations, involve significant management distraction and involve significant costs and expenses, including legal fees. We could also suffer severe penalties, including criminal and civil penalties, disgorgement and other remedial measures.

The Corporation is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates.

Various federal, state or provincial and local laws govern the Corporation's business in the jurisdictions in which it operates or proposes to operate, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of our products and of certain material used in our operations. Compliance with these laws and regulations requires concurrent compliance with complex federal, provincial or state and local laws. These laws change frequently and may be difficult to interpret and apply. Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that the Corporation is not in compliance with these laws and regulations could harm its brand image and business. Moreover, it is impossible for the Corporation to predict the cost or effect of such laws, regulations or guidelines upon our future operations. Changes to these laws or regulations could negatively affect the Corporations competitive position within the cannabis industry and the markets in which the Corporation operates, and there is no assurance that various levels of government in the jurisdictions in which the Corporation operates will not pass legislation or regulation that adversely impacts our business.

The Corporation may seek to enter into strategic alliances, or expand the scope of currently existing relationships, with third parties that the Corporation believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Corporations currently existing relationships may not enhance our business in the desired manner.

The Corporation currently has, and may expand the scope of, and may in the future enter into, strategic alliances with third parties that the Corporation believes will complement or augment its existing business. The Corporation's ability to complete further such strategic alliances is dependent upon, and may be limited by, among other things, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Corporation's business and may involve risks that could adversely affect it, including the investment of significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all.

Risks Related to the MPX Shares

It may be difficult, if not impossible, for U.S. holders of the Corporation's MPX Shares to resell them over the Canadian Securities Exchange.

It has recently come to management's attention that all major securities clearing firms in the United States have ceased participating in transactions related to securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the United States. Accordingly, U.S. residents who acquire MPX Shares as "restricted securities" (including any Warrant Shares pursuant to the exercise of common share purchase warrants) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the United States will have on the ability of U.S. residents to resell any MPX Shares that they may acquire in open market transactions. Our understanding is that all U.S. brokers must use a clearing service to facilitate resale transactions over Canadian securities exchanges. Some U.S. brokers have self-clearing capabilities; those that do not must use third party clearing firms. This issue does not apply to the Depositary Trust Company.

U.S. FEDERAL REGULATION

U.S. federal regulation and enforcement may adversely affect the implementation of medical marijuana laws and regulations and may negatively impact our revenues and profits.

Investors are cautioned that in the U.S., marijuana is largely regulated at the state level. Currently, there are 30 U.S. states plus the District of Columbia, Puerto Rico and Guam that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment.

Notwithstanding the permissive regulatory environment of medical marijuana at the state level, marijuana continues to be categorized as a controlled substance under the CSA. Under the CSA, the policies and regulations of the federal government and its agencies are that cannabis has no "proven" medical benefits. Unless and until Congress amends the CSA with respect to medical marijuana, and as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that federal authorities may enforce current U.S. federal law, and we may be deemed to be producing, cultivating, or dispensing marijuana in violation of U.S. federal law with respect to the Corporation's current or proposed business operations, or we may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to CGX's business operations. A change in the U.S. federal government's approach to begin more active enforcement of cannabis may adversely affect our revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated federal policy remains uncertain.

The U.S. Supreme Court declined to hear a case brought by San Diego County, California that sought to establish federal pre-emption over State medical marijuana laws. The pre-emption claim was rejected by every court that reviewed the

case. The California Fourth District Court of Appeals wrote in its unanimous ruling, "Congress does not have the authority to compel the states to direct their law enforcement personnel to enforce U.S. federal laws." However, in another case, the U.S. Supreme Court held that, as long as the CSA contains prohibitions against marijuana, under the Commerce Clause of the U.S. Constitution, the U.S. may criminalize the production and use of homegrown cannabis even where States approve its use for medical purposes.

In an effort to provide guidance to U.S. federal law enforcement, the DOJ issued Guidance Regarding Marijuana Enforcement to all U.S. Attorneys in a memorandum from: (1) Deputy Attorney General David Ogden on October 19, 2009; (2) Deputy Attorney General James Cole on June 29, 2011; and (3) Mr. Cole on August 29, 2013 (the "**Cole Memorandum**"). Each memorandum included statements that the DOJ is committed to the enforcement of the CSA, but also included that the DOJ is also committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way.

On February 14, 2014, Mr. Cole supplemented the Cole Memorandum to add guidance regarding the impact of the prior memoranda on "financial crimes" for which marijuana-related conduct is a predicate. Among other things he noted that the provisions of the money laundering statutes, the unlicensed money remitter statute and the Bank Secrecy Act remain in effect with respect to marijuana-related conduct. However, he also reiterated the position reflected in the August 29, 2013, guidance, stating that the investigation and prosecution of financial crimes "would be subject to the same consideration and prioritization."

On December 20, 2014, President Obama signed into law a federal spending bill with a Congressional appropriation rider for the year ending September 30, 2015, providing that "None of the funds made available to the DOJ pursuant to the 2015 Consolidated and Further Continuing Appropriations Act may be used to prevent certain States, including Arizona, Nevada and California, from implementing their own laws that have authorized the use, distribution, possession, or cultivation of medical marijuana" (the "**Rohrabacher-Blumenauer Amendment**"). This limitation was carried over for the year ending September 30, 2016. The DOJ addressed the impact of the Rohrabacher-Blumenauer Amendment in a memorandum dated February 27, 2015, which was released to the public in August 2015. That memorandum took the position that the Rohrabacher-Blumenauer Amendment does not bar the use of funds for civil and criminal enforcement "consistent with the existing DOJ guidance…." The DOJ's interpretation appears to have been firmly rejected by the U.S. Court of Appeals for the Ninth Circuit (which includes federal court districts of Arizona and Nevada). In a decision dated August 16, 2016, the Court specifically ruled that the Rohrabacher-Blumenauer Amendment prohibited the use of DOJ funds for "conduct completely authorized by State law" *United States v McIntosh*, No.15-10117, 2016 WL 4363168, at 32 (9th Cir. Aug. 16, 2016).

Following the inauguration of President Trump, a Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the U.S. in February 2017. The Task Force was to deliver its recommendations by July 27, 2017. To date, its recommendations have not been made public.

In March 2017, U.S. Attorney General Jeff Sessions acknowledged the validity of the Cole Memorandum and noted limited federal resources due to the appropriations restrictions.

However, Mr. Sessions disagreed that the Cole Memorandum had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of U.S. Attorneys relative to marijuana enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the U.S. Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute marijuana activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such marijuana activities, and it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical marijuana by federal prosecutors. Medical marijuana is currently protected against enforcement by enacted legislation from U.S. Congress in

the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical marijuana laws enacted at the state level, subject to Congress restoring such funding. Although the appropriations restriction on the use of DOJ funds imposed by the Rohrabacher-Blumenauer Amendment has been effectively extended through March 23, 2018, by the continuing resolution contained in the Bipartisan Budget Act of 2018, there can be no assurance that future federal appropriations will continue to restrict the DOJ's use of funds.

Due to the ambiguity of the Sessions Memorandum in relation to medical marijuana, there can be no assurance that the federal government will not seek to prosecute cases involving marijuana businesses that are otherwise compliant with state law. The DOJ has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property but has relied on State and local law enforcement to address marijuana activity. In the event the DOJ reverses its stated policy and begins strict enforcement of the CSA in States that have laws legalizing medical marijuana and adult-use marijuana in small amounts, there may be a direct and adverse impact to our business and our revenue and profits.

Since the issuance of the Sessions Memorandum, no public comments have been made by the U.S. attorneys in Arizona, Nevada, or Maryland regarding the enforcement of federal law related to cannabis. In Arizona, this includes Ms. Elizabeth Strange, First Assistant U.S. Attorney for the District of Arizona. In Nevada, this includes Mr. Dayle Elieson, U.S. Attorney for the District of Nevada and in Maryland, this includes Mr. Robert K. Hur U.S. Attorney for the District of Maryland.

On January 8, 2018, Mr. Andrew E. Lelling, U.S. Attorney for the District of Massachusetts commented that his office cannot provide assurances that certain categories of participants in the state-level marijuana trade will be immune from federal prosecution. In addition, Mr. Lellin's office released the following statement:

> *"This is a straightforward rule of law issue. Congress has unambiguously made it a federal crime to cultivate, distribute and/or possess marijuana. As a law enforcement officer in the Executive Branch, it is [Mr Lellin's] sworn responsibility to enforce that law, guided by the Principles of Federal Prosecution. To do that, however, [Mr Lellin] must proceed on a case-by-case basis, assessing each matter according to those principles and deciding whether to use limited federal resources to pursue it. Deciding, in advance, to immunize a certain category of actors from federal prosecution would be to effectively amend the laws Congress has already passed, and that [Mr Lellin] will not do. The kind of categorical relief sought by those engaged in state-level marijuana legalization efforts can only come from the legislative process."*

Potential proceedings under U.S. federal law could involve significant restrictions being imposed upon the Corporation or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition as well as the Corporation's reputation, even if such proceedings were concluded successfully in favour of the Corporation. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Corporation or the seizure of corporate assets. However, as of the date hereof, the Corporation and has obtained legal advice in respect thereof that proceedings of this nature have historically been sufficiently uncommon to be characterizable as remote absent a shift by federal authorities to a more aggressive enforcement approach. The Corporation has also received advice from its legal counsel regarding the potential exposure and implications arising from U.S. federal law generally. As the legal landscape at both the U.S. federal level and the state level is evolving, all such legal advice is historical in nature, and is only effective up to the date such advice was received.

Following the issuance of the Sessions Memorandum, the Corporation continues to look to the guidelines of the Cole Memorandum as an industry best practice and continues to do the following to ensure compliance with the Cole Memorandum:

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

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

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

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

U.S. Attorney General Jeff Sessions resigned on November 7, 2018, and Matthew G. Whitaker, Chief of Staff to Jeff Sessions at the Department of Justice, became the Acting Attorney General of the United States. To date Matthew G. Whitaker has not released any statements regarding the enforcement of federal law as it relates to marijuana.

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

Variation in State Regulations

Variations in State and local regulation, and enforcement in States that have legalized medical cannabis, may restrict marijuana-related activities, including activities related to medical cannabis, which may negatively impact our revenues and prospective profits.

The marijuana laws of each State are not necessarily consistent with those of other States. A number of States have decriminalized marijuana to varying degrees, other States have created exemptions specifically for medical cannabis, and several have both decriminalization and medical laws. Alaska, Colorado, Oregon, Washington, California, Nevada and the District of Columbia have previously legalized the adult-use of cannabis. Additionally, Massachusetts and Maine have, voted to legalize adult-use, although adult-use will not commence in those States until appropriate regulatory frameworks have been put in place. Variations exist among States that have legalized, decriminalized, or created medical marijuana exemptions. For example, Alaska, Colorado, and the District of Columbia have limits on the number of marijuana plants that can be homegrown. In most States, the cultivation of marijuana for personal use continues to be prohibited except for those States that allow small-scale cultivation by the individual in possession of medical marijuana needing care or that person's caregiver. Active enforcement of State laws that prohibit personal cultivation of marijuana may indirectly and adversely affect our business and our revenue and profits.

The Corporation is in compliance with, and has obtained legal advice in respect of its compliance with U.S. State laws and the related licensing framework of Arizona, Maryland, Massachusetts and Nevada applicable to its respective business operations.

U.S. STATE REGULATION

Regulation of Cannabis in Arizona

MPX is currently managing one cultivation/production facility and two dispensaries in Mesa, Arizona.

In 1996, Arizona passed Proposition 200, allowing doctors to prescribe medical marijuana (specifically, controlled substances) to treat diseases or relieve pain in seriously/terminally ill patients. In order for a patient to use medical

marijuana, a doctor had to provide scientific evidence to prove marijuana's usefulness along with a second doctor's opinion to the Arizona Department of Health Services (the "**ADHS**"). This caused conflict between supporters and opponents of medical marijuana and started a lengthy battle over the law's lack of specificity in addition to the language "prescribe." For a doctor to prescribe medicine, the substance must first undergo FDA trials and doctors must specify the exact dosage and consumption methods to be used. Unfortunately, this rendered Proposition 200 illegal on a federal scope and a medical marijuana program never materialized. It did, however, protect first-time drug offenders from prison sentences, which was a step towards decriminalization.

Arizona tried once more to legalize medical marijuana in 2002 with Proposition 203, but the initiative failed, receiving 42.7% of the vote. A viable solution was not presented and approved until nearly a decade later.

In 2010, Arizonans voted to approve a much-revised version of Proposition 203, an initiative to legalize the medicinal use of marijuana. Proposition 203 authorized doctors to recommend cannabis as a therapeutic option, as opposed to prescribing a specific dosage of cannabis with strict consumption or application methods. This law also tasked ADHS to regulate the AMMA.

The ADHS had until April 2012 to establish a registration application system for patients and nonprofit marijuana dispensaries, as well as a web-based verification platform for use by law officials and dispensaries to verify a patient's status as such. It also specified patients' rights, qualifying medical conditions, and allowed out-of-state medical marijuana patients to maintain their patient status (though not to purchase cannabis).

On December 6, 2012, Arizona's first licensed medical marijuana dispensary opened in Glendale.

In 2012, Arizona legislators amended the AMMA to include college and university campuses in their non- consumption list, even if the cardholder was over 21 years old. However, in April 2017, this ruling was overturned by the Arizona Court of Appeals, and though colleges can privately prohibit medical marijuana on campus, lawmakers cannot make campus cannabis use illegal.

The people of Arizona took advantage of the ADHS's qualifying condition appeal process in 2013 when they petitioned to include PTSD, migraines, and depression among the list of qualifying medical conditions. Following due process, the Director of the ADHS denied the petition.

While it seemed like the Arizona population was becoming more tolerant of cannabis, it proved too soon to jump to adult-use legalization. In 2016, Arizonans narrowly failed to approve Proposition 205 by a margin of 48:52, which would have legalized the adult-use of marijuana. Ballotpedia attributes this loss to heavy early campaigning by opponents of adult-use marijuana years before the election process. Opponents such as Insys, the creators of Fentanyl, lobbied heavily against adult-use cannabis as their CBD medicine passed the first phases of FDA trials earlier in 2016. This loss resulted in a significant surge in new medical marijuana patients, many of whom were waiting to get their card only if the adult-use law failed to pass.

Despite various lawmakers' attempts to place limitations on Arizona's medical marijuana law, the program is growing larger each year.

The AMMA empowers Arizona doctors to recommend medical marijuana as a viable treatment option for Arizona patients diagnosed with at least one qualifying medical condition. With this recommendation, a patient may apply for an Arizona Medical Marijuana Card, a card that allows patients to possess, purchase, and use medical marijuana.

Arizona marijuana patients or caregivers may possess up to 2.5 ounces of marijuana at any given time and obtain 2.5 ounces in a 14-day period from an Arizona medical marijuana dispensary. Patients can also be authorized to grow up to 12 marijuana plants for their own use, or otherwise, find a caregiver to grow cannabis for them if they reside more than 25 miles from the nearest medical marijuana dispensary.

The patient must have one of the below qualifying medical conditions, and their physician must determine that the patient indeed has a qualifying condition. The written certification would state the doctor believes, in their professional opinion, the patient would likely receive therapeutic benefit from medical marijuana use:

- ALS
- Alzheimer's disease
- Cancer
- Crohn's disease
- Glaucoma
- HIV/AIDS
- Hepatitis C
- Cachexia/Wasting Syndrome
- Muscle spasms
- Nausea
- Seizures
- Severe and chronic pain

Once a patient has received their written certification from an Arizona doctor, they may apply to the ADHS for a Registry Identification Card, a card that grants patients and caregivers the authority to possess, purchase, and use medical marijuana legally.

To apply for a Registry Identification Card, patients must submit their written certification, the application fee, their personal information, and a statement declaring they will not use their medical marijuana for nefarious purposes (i.e. sell it to kids). If a minor wants to be a medical marijuana patient, there are stricter rules to follow before they can qualify for their card.

Some patients in critical need of cannabis are unable to travel easily to purchase or even consume cannabis without some assistance. Arizona included regulations to cover the people who would take care of these patients, such as a child or an elderly parent, known as caregivers, allowing them to assist patients (up to five) in the medical use of marijuana.

Caregivers must educate themselves on the different aspects of marijuana, like different strains, consumption methods, and their patients' specific health needs. Arizona caregivers must follow all the same regulations as patients, including registering with the ADHS and carrying an identification card.

As federal law still classifies marijuana as a Schedule 1 drug (without medicinal value), Proposition 203 and other medical cannabis laws were designed to protect citizens' rights. Arizona medical marijuana patients are supposed to be treated like every other resident. The AMMA's regulations protect the rights of patients and caregivers in certain circumstances:

- a school or landlord may not refuse to enroll/lease to a qualifying patient unless failing to do so would incur ramifications under federal law;

- medical facilities cannot deny treatment to patients based on their status as a medical marijuana user; and

- parental rights cannot be denied based on a parent's status as an Arizona medical marijuana patient.

While these protections are essential, they do not provide for every eventuality. Employers may not discriminate against employees who are medical marijuana patients and may not penalize them for a positive drug test. However, employees cannot use or possess marijuana during the hours of work. Employers may lawfully discipline and even terminate any employee who tests positive for marijuana if they used or possessed during work hours, even if the employee is a registered patient.

Despite nearly twenty (20) years of progress toward decriminalization and regulation, Arizona is still one of the toughest states in the nation when it comes to marijuana. Even minor possession is a felony for those who are not medical marijuana patients, with a maximum sentence of 3.75 years and a $150,000 fine.

Doctors are the gatekeepers to medical marijuana. In all medically legal states, doctors must fully evaluate their patients and determine whether cannabis is a fit for their medical needs and whether they have a qualifying condition. This places considerable responsibility on doctors' shoulders, which most Arizona doctors bear with professionalism and true concern for their patients. The physician must be a doctor of medicine, a doctor of osteopathic medicine, a naturopathic physician, or a homeopathic physician who holds a valid license to practice in Arizona.

Physicians meet patients, either in person or via telemedicine services, to determine if the patient has a qualifying condition before signing a written certification stating that, in their professional opinion, the patient has a qualifying condition and would likely receive therapeutic benefits from medical marijuana use.

Arizona allows non-Arizona medical marijuana patients the same rights and protections as Arizona citizens. The law states a Registry Identification Card, or its equivalent, issued by another state, is valid in Arizona, except in that a visiting qualifying patient may not obtain marijuana from an Arizona marijuana dispensary. Instead of acquiring medical marijuana from a dispensary, a visiting qualifying patient can obtain medical marijuana from another registered Arizona patient or designated caregiver can offer and provide medical marijuana so long as nothing of value is given in return, and the recipient does not end up possessing more than 2.5 oz. of marijuana.

All Arizona marijuana dispensaries are currently required to be operated on a non-profit basis. Dispensaries may charge for medical marijuana as part of the expenses incurred during business operations. Patients can purchase up to 2.5 ounces of marijuana every two weeks, either as flower or an equivalent amount in concentrate, edibles, or other cannabis product forms.

Regulatory Framework

Arizona citizens adopted the AMMA via citizens' initiative in November 2010. The AMMA is codified in Arizona Revised Statutes ("**ARS**") § 36-2801 et. seq. The AMMA also appointed the ADHS as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. These ADHS Regulations are embodied in the Arizona Administrative Code ("**AAC**") Title 9 Chapter 17 (the "**Rules**"). ARS § 36-2801(11) defines a "nonprofit medical cannabis dispensary" as a not-for-profit entity that acquires, possesses, cultivates, manufactures, delivers, transfers, transports, supplies, sells or dispenses cannabis or related supplies and educational materials to cardholders (a "**Dispensary**").

The ADHS has established the Arizona Department of Health Services Medical Marijuana Program ("**MMJ Program**"), which includes a vertically integrated license, meaning if allocated a Medical Marijuana Dispensary Registration Certificate ("**Dispensary License**"), entities are authorized to dispense and cultivate medical cannabis. Each Dispensary License allows the holding entity to operate one on-site cultivation facility, and one off-site cultivation facility which can be located anywhere within the State of Arizona. An entity holding a Dispensary License is required to file an application to renew with the ADHS on an annual basis, which must also include audited annual financial statements. While a Dispensary License may not be sold, transferred or otherwise conveyed, Dispensary License holders typically contract with third parties to provide various services related to the ongoing operation, maintenance and governance of its dispensary and/or cultivation facility so long as such contracts do not violate the requirements of the AMMA or the MMJ Program.

Licensing Requirements

In order for an applicant to receive a Dispensary Registration Certificate (a "**Certificate**") they must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the Dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the Dispensary. Certificates are renewed annually so long as the Dispensary is in good standing with ADHS and pays the renewal fee and submits an independent third party financial audit.

Approval to Operate

Once an applicant has been issued a Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the Dispensary receives an approval to operate from ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Rules and consistency with the Dispensary's applicable policies and procedures.

Security Requirements for Dispensary Facilities

Any Dispensary facility (both retail and cultivation) must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the Dispensary ("**Dispensary Agents**") who are in possession of a Dispensary Agent identification card, and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system and (g) panic buttons inside each building.

Transportation Requirements

Dispensaries may transport medical cannabis between their own sites or between their sites and another Dispensary's site and must comply with the following Rules: (i) prior to transportation, the Dispensary Agent must complete a trip plan showing: (a) the name of the Dispensary Agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation, (ii) during transport the Dispensary Agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible, and (iii) Dispensaries must maintain trip plan records.

ADHS Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the Dispensary. However, if someone has alleged that the Dispensary is not in compliance with the AMMA or the Rules, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the Dispensary of any violations found during any inspection and the Dispensary then has twenty (20) working days to take corrective action and notify ADHS.

ADHS must revoke a Certificate if a Dispensary: (i) operates before obtaining approval to operate a dispensary from the ADHS, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another Dispensary with a valid Dispensary Registration Certificate issued by the ADHS, a qualifying patient with a valid Registry Identification Card, or a designated caregiver with a valid Registry Identification Card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another dispensary with a valid Dispensary Registration Certificate issued by the ADHS, a qualifying patient with a valid Registry Identification Card, or a designated caregiver with a valid Registry Identification Card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Certificate if a Dispensary does not: (i) comply with the requirements of the AMMA or the Rules, (ii) implement the policies and procedures or comply with the statements provided to the ADHS with the Dispensary's application.

Regulation of Cannabis in Nevada

General

Nevada has two regulatory schemes for legal use of cannabis products, one for medical marijuana and the other for adult-use marijuana. Both are now administered by Nevada Department of Taxation (the "**NDT**"), and neither has any residency requirements for owners.

In the state of Nevada, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The Nevada regulatory scheme is not a vertically integrated system, and only permits the holder of a retail dispensary license and registration certificate to purchase marijuana from licensed cultivation facilities, marijuana and marijuana products from licensed product manufacturing facilities and marijuana from other retail stores and allows the sale of marijuana and marijuana products to consumers.

Medical Marijuana Program

The use of medical marijuana became legal in Nevada in 2001, and state-certified medical marijuana establishments, like dispensaries, became operational in 2015. The Nevada Medical Marijuana Program is governed by Nevada Revised Statute 453A and Nevada Administrative Code 453A. Patients meeting certain criteria can apply for a Nevada Medical Marijuana Card. The Medical Marijuana Card allows the patient to legally purchase marijuana from a state-certified medical marijuana dispensary and a registry of medical marijuana patient cardholders is administered by the Division of Public and Behavioral Health.

Licensing and operational requirements for production and distribution of medical marijuana are set out in NRS 435A. Each medical marijuana establishment must register with the NDT and apply for a medical marijuana establishment registration certificate (for the purposes of this description of Nevada law and regulation, a "**Medical Marijuana License**"). Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony conviction or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, owner, officer and board member of a medical marijuana establishment must be registered with the NDT as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products which must be preapproved by the NDT.

In determining whether to issue a medical marijuana establishment registration certificate pursuant to NRS 453A.322, the NDT, in addition the application requirements set out, considers the following criteria of merit:

(1) the total financial resources of the applicant, both liquid and illiquid;

(2) the previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non- profit organizations;

(3) the educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;

(4) any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;

(5) whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;

(6) the likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;

(7) the adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;

(8) whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;

(9) the amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and

(10) any other criteria of merit that the Division of Public and Behavioral Health determines to be relevant.

In a local governmental jurisdiction that issues business licenses, the issuance by NDT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances.

A final medical marijuana establishment registration certificate expires one (1) year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the NDT. Renewal requests are typically communicated through email from NDT and include a renewal form. The renewal periods serve as an update for NDT on the licensee's status toward active licensure. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from NDT may an entity engage in cannabis business operation.

Adult-Use Retail Marijuana Program

The sale of marijuana for adult-use in Nevada was approved by ballot initiative on November 8, 2016, and Nevada Revised Statute 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of marijuana and requires the NDT to begin receiving applications for the licensing of marijuana establishments ("**Adult-use Licenses**") on or before January 1, 2018. The legalization of adult-use retail marijuana does not change the medical marijuana program.

As of July 1, 2017, the NDT began accepting applications for an early start program governed by Nevada Temporary Regulation T002-17. The early start program ran from July 1, 2017 to December 31, 2017, and only operational medical marijuana establishment certificate holders in good standing, with the exception of distributor licenses, (which is a new license type under the retail program), were able to participate.

The regular adult-use retail marijuana program under Nevada's Regulation and Taxation of Marijuana Act is set to begin in early 2018 and for the first 18 months of the program, only existing Medical Marijuana License holders can apply for an Adult-use License. In November 2018, the NDT may open up the application process to those not holding a Medical Marijuana License.

There are five types of Adult-use Licenses under Nevada's adult-use retail marijuana program:

(1) **Cultivation Facility** - licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.

(2) **Distributor** - licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.

(3) **Product Manufacturing Facility** - licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.

(4) **Testing Facility** - licensed to test marijuana and marijuana products, including for potency and contaminants.

(5) **Retail Store** - licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

Administration of the regular adult-use retail program in Nevada will be governed by permanent regulations, currently being drafted by the NDT. The NDT has been conducting public consultation and receiving public comments on the Revised Proposed Adult-Use Marijuana Regulation (LCB File No. R092-17) dated December 13, 2017 (the "**Nevada Adult-Use Regulation**"). As of February 26, 2018, the Nevada Adult-Use Regulation has not been adopted by the NDT and the NDT is not seeking applications for adult-use marijuana or medical marijuana registration certificates.

The Corporation's Licenses and Operations

The Corporation currently has two Nevada "Medical Marijuana Licenses", one for cultivation and one for product manufacturing, with operations of both being conducted at a facility in North Las Vegas, Nevada.

The Corporation also currently has two Nevada Adult-use Licenses, one for cultivation and one for product manufacturing, with operations of both being conducted at the same North Las Vegas facility.

The Corporation plans to enter the retail arena by applying for at least two (2) dispensary licenses in the Las Vegas market.

A Medical Marijuana License for cultivation permits its holder to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

A Medical Marijuana License for product manufacturing permits its holder to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries.

An Adult-use License for a retail store would permit it holder to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores and sell marijuana and marijuana products to consumers.

An Adult-use License for cultivation would permit its holder to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to adult-use marijuana retail stores, facilities for the production of edible adult-use marijuana products and/or marijuana-infused products, or other adult-use marijuana cultivation facilities.

An Adult-use License for product manufacturing would permit its holder to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to adult-use retail stores or other medical marijuana production facilities.

Reporting Requirements

The state of Nevada uses a computerized track and trace system to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. *See "Compliance Software".*

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, Nevada state law requires the following:

(1) be an enclosed, locked facility;

(2) have a single secure entrance;

(3) train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;

(4) install security equipment to deter and prevent unauthorized entrances, which includes:

(a) devices that detect unauthorized intrusion which may include a signal system; and

(b) exterior lighting to facilitate surveillance;

(5) electronic monitoring must be in place with includes:

(a) at least one call-up monitor that is 19 inches or more;

(b) a video printer capable of immediately producing a clear still photo from any video camera image;

(c) video cameras with a recording resolution of at least 704 x 480 which provide coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;

(d) a video camera at each point-of-sale location which allows for the identification of any person who holds a valid Registry Identification Card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;

(e) a video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;

(f) a method for storing video recordings from the video cameras for at least thirty (30) calendar days;

(g) a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;

(h) sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and

(i) security alarm to alert local law enforcement of unauthorized breach of security; and

(6) implement security procedures that:

(a) restrict access of the establishment to only those persons/employees authorized to be there;

(b) deter and prevent theft;

(c) provide identification (badge) for those persons/employees authorized to be in the establishment;

(d) prevent loitering;

(e) require and explain electronic monitoring; and

(f) require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

Transportation

In Nevada marijuana may only be transported from a licensed grow or production facility by a licensed marijuana distributor. Prior to transporting the marijuana or marijuana products the distributor must complete a trip plan which includes the agent name and registration number providing and receiving the marijuana; the date and start time of the trip; a description, including the amount, of the marijuana or marijuana products being transported; and the anticipated route of transportation.

During the transportation of marijuana or marijuana products, the licensed marijuana distributor agent must: (a) carry a copy of the trip plan with him or her for the duration of the trip; (b) have his or her marijuana establishment Agent Card in his or her immediate possession; (c) use a vehicle without any identification relating to marijuana and which is equipped with a secure lockbox or locking cargo area which must be used for the sanitary and secure transportation of marijuana, or marijuana products; (d) have a means of communicating with the marijuana establishment for which he or she is providing the transportation; and (e) ensure that all marijuana or marijuana products are not visible. After transporting marijuana or marijuana products a licensed marijuana distributor agent must enter the end time of the trip and any changes to the trip plan that was completed.

Each licensed marijuana distributor agent transporting marijuana or marijuana products must report any: (a) vehicle accident that occurs during the transportation to a person designated by the marijuana distributor to receive such reports within two (2) hours after the accident occurs; and (b) loss or theft of marijuana or marijuana products that occurs during the transportation to a person designated by the marijuana distributor to receive such reports immediately after the marijuana establishment agent becomes aware of the loss or theft. A marijuana distributor that receives a report of loss or theft pursuant to this paragraph must immediately report the loss or theft to the appropriate law enforcement agency and to the NDT. The distributor must report any unauthorized stop that lasts longer than two (2) hours to the NDT.

A marijuana distributor shall maintain the required documents and provide a copy of the documents required to the NDT for review upon request. Each marijuana distributor shall maintain a log of all received reports.

Employees of licensed marijuana distributors, including drivers transporting marijuana and marijuana products, must be 21 years of age or older and must obtain a valid marijuana establishment agent registration card issued by the NDT. If a marijuana distributor is co-located with another type of business, all employees of co-located businesses must have marijuana establishment agent registration cards unless the co-located business does not include common entrances, exits, break room, restrooms, locker rooms, loading docks, and other areas as are expedient for business and appropriate for the site as determined and approved by Department inspectors. While engaged in the transportation of marijuana and marijuana products, any person that occupies a transport vehicle when it is loaded with marijuana or marijuana products must have their physical marijuana establishment agent registration card in their possession.

All drivers must carry in the vehicle valid driver's insurance at the limits required by the State of Nevada and the NDT. All drivers must be bonded in an amount sufficient to cover any claim that could be brought or disclose to all parties that their drivers are not bonded. Marijuana establishment agent registration cardholders and the licensed marijuana distributor they work for are responsible for the marijuana and marijuana product once they take control of the product and leave the premises of the marijuana establishment.

There is no load limit on the amount or weight of marijuana and marijuana products that is being transported by a licensed marijuana distributor. Marijuana distributors are required to adhere to NDT regulations and those required through their insurance coverage. When transporting by vehicle, marijuana and marijuana product must be in a lockbox or locked cargo area. A trunk of a vehicle is not considered secure storage unless there is no access from within the vehicle and it is not the same key access as the vehicle. Live plants can be transported in a fully enclosed, windowless locked trailer or secured area inside the body/compartment of a locked van or truck so that they are not visible to the outside. If the value of the marijuana and marijuana products being transported by vehicle is in excess of $10,000 (the insured value per the shipping manifest), the transporting vehicle must be equipped with a car alarm with sound or have no less than two (2) of the marijuana distributor's marijuana establishment agent registration cardholders involved in the transportation. All marijuana and marijuana product must be tagged for purposes of inventory tracking with a unique identifying label as required by the NDT and remain tagged during transport. This unique identifying label should be similar to the stamp for cigarette distribution. All marijuana and marijuana product when transported by vehicle must be transported in sealed packages and containers and remain unopened during transport. All marijuana and marijuana product transported by vehicle should be inventoried and accounted for in the inventory tracking system. Loading and unloading of marijuana and marijuana products from the transporting vehicle must be within view of existing video surveillance systems prior

to leaving the origination location. Security requirements are required for the transportation of marijuana and marijuana products.

Regulation of Cannabis in Massachusetts

The Medical Use of Marijuana Program (the "**Program**") registers qualifying patients, personal caregivers, Registered Marijuana Dispensaries ("**RMD**"), and RMD agents. The Program was established by Chapter 369 of the Acts of 2012, "An Act for the Humanitarian Medical Use of Marijuana," following the passage of Ballot Question 3 in the 2012 general election. Registered Marijuana Dispensary certifications are vertically integrated licenses in that each RMD license entitles a license holder to one cultivation facility, one processing facility and up to three (3) dispensary locations. There is a limit of three RMD licenses per person/entity. Currently, there are a total of 19 medical licenses outstanding in either provisional or final status.

Regulatory Framework

The State of Massachusetts Department of Health regulations 105 CMR 725.000 et seq. provide a regulatory framework that requires licensed producers, which are statutorily defined as "Registered Marijuana Dispensaries", to cultivate, process, transport and dispense medical cannabis in a vertically integrated marketplace. Patients with debilitating medical conditions qualify to participate in the program, including conditions such as cancer, glaucoma, positive status for human immunodeficiency virus (HIV), acquired immune deficiency virus (AIDS), hepatitis C, amyotrophic lateral sclerosis (ALS), Crohn's disease, Parkinson's disease, and multiple sclerosis (MS) when such diseases are debilitating, and other debilitating conditions as determined in writing by a qualifying patient's healthcare provider.

Licensing Requirements

The State of Massachusetts Department of Health (the "**Massachusetts Department**") regulations 105 CMR 725.100 (the "**Massachusetts Regulations**") delineates the licensing requirements for RMD's in Massachusetts. Licensed entities must demonstrate the following: (i) they are licensed and in good standing with the Secretary of the Commonwealth of Massachusetts; (ii) no executive, member or any entity owned or controlled by such executive or member directly or indirectly controls more than three RMD licenses; (iii) vaporizers must be made available for sale; (iv) a RMD may not cultivate and dispense medical cannabis from more than two (2) locations statewide; (v) all Dispensary Agents must be registered with the Massachusetts Department; (vi) a RMD must have a program to provide reduced cost or free marijuana to patients with documented verifiable financial hardships; (vii) one executive of a RMD must register with the Massachusetts Department of Criminal Justice Information Services on behalf of the entity as an organization user of the Criminal Offender Record Information (iCORI) system); (viii) the RMD applicant has at least $500,000 in its control as evidenced by bank statements, lines of credit or equivalent; and (ix) payment of the required application fee. In a RMD application, an applicant must also demonstrate or include: (i) name, address date of birth and resumes of each executive of the applicant and of the members of the entity; (ii) proof of liability insurance coverage in compliance with statutes; (iii) detailed summary of the business plan for the RMD; (iv) an operational plan for the cultivation of marijuana including a detailed summary of all policies and procedures; and (v) a detailed summary of the operating policies and procedures for the operations of the RMD including security, prevention of diversion, storage of marijuana, transportation of marijuana, inventory procedures, procedures for quality control and testing of product for potential contaminants, procedures for maintaining confidentiality as required by law, personnel policies, dispensing procedures, record keeping procedures, plans for patient education and any plans for patient or personal caregiver home delivery. An RMD applicant must also demonstrate that it has (i) a successful track record of running a business; (ii) a history of providing healthcare services or services providing marijuana for medical purposes in or outside of Massachusetts; (iii) proof of compliance with the laws of the Commonwealth of Massachusetts; (iv) complied with all laws and orders of the Commonwealth of Massachusetts; and (v) a satisfactory criminal and civil background. Upon the determination by the Massachusetts Department that an RMD applicant has responded to the application requirements in a satisfactory fashion, the RMD applicant is required to pay the applicable registration fee and shall be issued a provisional certificate of registration. Thereafter, the Massachusetts Department shall review architectural plans for the building of the RMD's cultivation facility and/or dispensing facilities, and shall either approve, modify or deny the same. Once approved, the RMD provisional license holder shall construct its facilities in conformance with the requirements of the Massachusetts Regulations. Once the Massachusetts Department completes all inspections and issues approval for an RMD of its facilities, the Massachusetts Department shall issue a final certificate of registration to the RMD applicant. RMD final certificates of registration are valid for one (1) year and shall be renewed by filing the required renewal application no

later than sixty (60) days prior to the expiration of the certificate of registration.

Dispensary Requirements

An RMD shall follow its written and approved operation procedures in the operation of its dispensary locations. Operating procedures shall include (i) security measures in compliance with the Massachusetts Regulations; (ii) employee security policies including personal safety and crime prevention techniques; (iii) hours of operation and after-hours contact information; (iv) a price list for marijuana; (v) storage protocols in compliance with state law; (vi) a description of the various strains of marijuana that will be cultivated and dispensed, and the forms that will be dispensed; (vii) procedures to ensure accurate recordkeeping including inventory protocols; (viii) plans for quality control; (ix) a staffing plan and staffing records; (x) diversion identification and reporting protocols; and (xi) policies and procedures for the handling of cash on RMD premises including storage, collection frequency and transport to financial institutions. The siting of dispensary locations is expressly subject to local/municipal approvals pursuant to state law, and municipalities control the permitting application process that an RMD must comply with. More specifically, an RMD shall comply with all local requirements regarding siting, provided however that if no local requirements exist, an RMD shall not be sited within a radius of five hundred feet of a school, daycare center, or any facility in which children commonly congregate. The 500-foot distance under this section is measured in a straight line from the nearest point of the facility in question to the nearest point of the proposed RMD. There is no specified numeric maximum amount that an RMD may have on its premises. The Massachusetts Regulations require that RMDs must limit their inventory of seeds, plants, and useable marijuana to reflect the projected needs of registered qualifying patients. An RMD shall only dispense to a registered qualifying patient who has a current valid certification.

Security Requirements

An RMD shall implement sufficient security measures to deter and prevent unauthorized entrance into areas containing marijuana and theft of marijuana at the RMD. These measures must include: (i) allowing only registered qualifying patients, caregivers, Dispensary Agents, authorized persons, or approved outside contractors access to the RMD facility; (ii) preventing individuals from remaining on the premises of a RMD if they are not engaging in activities that are permitted; (iii) disposing of marijuana or byproducts in compliance with law; (iv) establishing limited access areas accessible only to authorized personnel; (v) storing all finished marijuana in a secure locked safe or vault; (vi) keeping all equipment, safes, vaults or secured areas securely locked at all times; (vii) ensuring that the outside perimeter of the RMD is sufficiently lit to facilitate surveillance; and (viii) ensuring that all landscaping or foliage outside of the RMD does not allow a person to conceal themselves. An RMD shall also utilize a security/alarm system that: (i) monitors all entry and exit points and windows and doors, (ii) includes a panic/duress alarm, (iii) includes system failure notifications, (iv) includes 24-hour video surveillance of all safes, vaults, sales areas, areas where marijuana is cultivated, processed or dispensed, and (v) includes date and time stamping of all records and the ability to produce a clear, color still photo. The video surveillance system shall have the capacity to remain operational during a power outage. The RMD shall also maintain a backup alarm system with all of the capabilities of the primary system, and both systems shall be in good working order at all times and shall be inspected and tested on regular intervals.

Transportation

Marijuana or marijuana-infused products ("**MIPs**") may only be transported by Dispensary Agents on behalf of an RMD: (i) between separately-owned RMDs in compliance with 725.105(B)(2) of the Massachusetts Regulations; (ii) between RMD sites owned by the same non-profit entity; (iii) between an RMD and a testing laboratory; (iv) from the RMD to the destruction or disposal site; or (v) from an RMD to the primary residences of registered qualifying patients. An RMD shall staff all transport vehicles with a minimum of two (2) Dispensary Agents. At least one (1) Dispensary Agent shall remain with the vehicle at all times that the vehicle contains marijuana or MIPs. Prior to leaving the origination location, an RMD must weigh, inventory, and account for, on video, all marijuana to be transported.

Marijuana must be packaged in sealed, labeled, and tamper-proof packaging prior to and during transportation. In the case of an emergency stop, a log must be maintained describing the reason for the stop, the duration, the location, and any activities of personnel exiting the vehicle. An RMD shall ensure that all delivery times and routes are randomized. Each Dispensary Agent shall carry his or her Massachusetts Department-issued Program ID Card at all times when transporting marijuana or MIPs and shall produce it to Massachusetts Department representatives or law enforcement officials upon request. Where videotaping is required when weighing, inventorying, and accounting of marijuana before

transportation or after receipt, the video must show each product being weighed, the weight, and the manifest. An RMD must document and report any unusual discrepancy in weight or inventory to the Massachusetts Department and local law enforcement within twenty-four (24) hours. An RMD shall report to the Massachusetts Department and local law enforcement any vehicle accidents, diversions, losses, or other reportable incidents that occur during transport, within twenty-four (24) hours. An RMD shall retain all transportation manifests for no less than one (1) year and make them available to the Massachusetts Department upon request. Any cash received from a qualifying patient or personal caregiver must be transported to an RMD immediately upon completion of the scheduled deliveries. Vehicles used in transportation must be owned, leased or rented by the RMD, be properly registered, and contain a GPS system that is monitored by the RMD during transport of marijuana and said vehicle must be inspected and approved by the Massachusetts Department prior to use.

During transit, a RMD shall ensure that: (i) marijuana or MIPs are transported in a secure, locked storage compartment that is part of the vehicle transporting the marijuana or MIPs; (ii) the storage compartment cannot be easily removed (for example, bolts, fittings, straps or other types of fasteners may not be easily accessible and not capable of being manipulated with commonly available tools); (iii) marijuana or MIPs are not visible from outside the vehicle; and (iv) all product is transported in a vehicle that bears no markings indicating that the vehicle is being used to transport marijuana or MIPs and does not indicate the name of the RMD. Each Dispensary Agent transporting marijuana or MIPs shall have access to a secure form of communication with personnel at the origination location at all times that the vehicle contains marijuana or MIPs.

Department Inspections

The Massachusetts Department or its agents may inspect an RMD and affiliated vehicles at any time without prior notice. An RMD shall immediately upon request make available to the Massachusetts Department all information that may be relevant to a Massachusetts Department inspection, and the Massachusetts Department may direct an RMD to test marijuana for contaminants. Any violations found will be noted in a deficiency statement that will be provided to the RMD, and the RMD shall thereafter submit a Plan of Correction to the Massachusetts Department outlining with particularity each deficiency and the timetable and steps to remediate the same. The Massachusetts Department shall have the authority to suspend or revoke a certificate of registration in accordance with 105 CMR 725.405 of the Regulation of adult-use cannabis in Massachusetts. Adult-use cannabis "Marijuana Establishments" are regulated in Massachusetts by the Cannabis Control Commission pursuant to 935 CMR 500.000 et seq. Pursuant to section 500.101(2), RMDs that have received a provisional or final certificate of registration are authorized to apply for a vertically integrated Marijuana Establishment license on a priority basis over new applicants without an RMD certification. The same application requirements exist for a Marijuana Establishment license as an RMD application, and each owner, officer or member must undergo background checks and fingerprinting with the Cannabis Control Commission. Applicants must submit the location and identification of each site, and must establish a property interest in the same, and the applicant and the local municipality must have entered into a host agreement authorizing the location of the adult-use Marijuana Establishment within the municipality and said agreement must be included in the application. Applicants must include disclosure of any and all regulatory actions against it by the Commonwealth of Massachusetts, as well as the civil and criminal history of the applicant and all owners, officers, principals or members. The application must include the RMD applicant's plans for separating medical and adult-use operations, proposed timeline for achieving operations, liability insurance, business plan, and a detailed summary describing and/or updating or modifying the RMD's existing medical marijuana operating policies and procedures for adult-use including security, prevention of diversion, storage, transportation, inventory procedures, quality control, dispensing procedures, personnel policies, record keeping, maintenance of financial records and employee training protocols.

The adult-use license application process commenced on April 1, 2018, for existing RMD license holders and will commence for all non RMD license holders on July 1, 2018. Existing RMD license holders that timely applied for an adult-use license on or before April 1, 2018, are eligible to receive three adult-use licenses per medical RMD license. Namely, one integrated RMD medical license is eligible, if awarded by the Cannabis Control Commission, to receive three adult-use licenses as follows: one for cultivation, one for processing and one for dispensary. Additionally, there is a 100,000 square foot cultivation canopy for adult-use licenses; however, there is no canopy restriction for RMD license holders relative to their cultivation facility.

Regulation of Cannabis in Maryland

The MMCC grants medical cannabis grower, processor, dispensary and transportation licenses. A licensee may hold a license in each category to obtain vertical integration. The applicant must first seek pre-approval from the MMCC in order to be granted a license. As part of the pre-approval application, the applicant must submit information related to its operations; safety and security; medical cannabis professionalism; retail management factors; business and economic factors; and other additional factors that may apply.

Licensing Requirements

In order to become a licensed medical cannabis dispensary, each applicant must submit an application detailing the location of the proposed dispensary, the personal details of each principal officer or director, and operating procedures the dispensary will use. All owners, members, shareholders, officers, and directors of the dispensary holding a 5% or greater interest in the company must undergo a criminal and financial background checks. All employee, volunteers and personnel who will be working in the dispensary with access to the non-public areas are required to undergo background checks and register as a dispensary agent with the MMCC.

Reporting Requirements

Once licensed, the medical cannabis dispensary is required to submit to the MMCC quarterly reports including the following information: (i) the number of patients served; (ii) the county of residence of each patient served; (iii) the medical condition for which medical cannabis was recommended; (iv) the type and amount of medical cannabis dispensed; and (v) if available, a summary of clinical outcomes, including adverse events and any cases of suspected diversion. The medical cannabis dispensary must not include any patient personal information in the quarterly report.

Inspections

Licensees must be inspected by the MMCC prior to receiving approval from the MMCC to be authorized to begin cultivation, processing, and dispensing. Licensees are eligible to apply to renew their license every two (2) years during which time a full inspection of the facility is performed. Spot-inspections may be performed at the dispensary at any time and without advance notice.

Safety and Security Requirements

As part of the medical cannabis dispensary application, the applicant must provide information about the dispensary's operating procedures consistent with the oversight regulations established by the MMCC, including the following: (i) storage of cannabis and products containing cannabis only in enclosed and locked facilities; (ii) security features and procedures; (iii) how the dispensary will prevent diversion; and (iv) safety procedures. As part of the safety and security requirements, the applicant must detail how the premises will be constructed to prevent unauthorized entry, including a designation of a secured room meeting high-security requirements. The applicant must describe how it would train all registered Dispensary Agents on safety procedures, including responding to: (i) a medical emergency; (ii) a fire; (iii) a chemical spill; and (iv) a threatening event including: (a) an armed robbery, (b) an invasion, (c) a burglary, or (d) any other criminal incident.

The applicant must describe its security and surveillance plan with information including the following: (i) an alarm system that covers all perimeter entry points, windows, and portals at the premises that: (a) will be continuously monitored; (b) detects smoke and fire capabilities; (c) detects power loss capabilities; (d) includes panic alarm devices mounted at convenient, readily-accessible locations through the licensed premises; (e) inclusion of a second, independent alarm system to protect where records are stored on-and off-site and where any secure room holds medical cannabis; (f) equipped with auxiliary power to continue operation for at least forty-eight (48) hours; (ii) a video surveillance that: (a) records continuously for twenty-four (24) hours per day for 365 days a year without interruption, (b) has cameras in fixed places that allow for the clear facial identification and of activities in the controlled areas of the premises, including where medical cannabis is packaged, tested, processed, stored, or dispensed, (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 thirty (30) days.

Following licensure, no major renovation or modification may be undertaken without notification to the MMCC. Other than while the dispensary is open for business and one (1) hour before and one (1) hour after, the medical cannabis inventory must be stored in the secure room.

Operating Requirements

As part of the dispensary application, the applicant must provide information about the dispensary's operations, including the following: (i) communication systems; (ii) facility odour mitigation; and (iii) back-up systems for all cultivation and processing systems. The applicant must establish a standard operating procedure of all aspects of the receipt, storage, packaging, labelling, handling, tracking, and dispensing of products containing medical cannabis and medical cannabis waste.

In addition, the applicant must provide information about the dispensary's medical cannabis professionalism, including the following information: (i) experience, knowledge, and training Dispensary Agents in the science and use of medical cannabis; and (ii) use of a clinical director (optional).

The applicant must also provide information about the dispensary's retail management operations, including the following: (i) a detailed plan to preserve the quality of the medical cannabis; (ii) a plan to minimize any negative impact on the surrounding community and businesses; (iii) a detailed inventory control plan; and (iv) a detailed medical cannabis waste disposal plan.

The business and economic factors of the dispensary business must also be detailed, including the following information: (i) a business plan demonstrating a likelihood of success, demonstrating sufficient business ability and experience on the part of the applicant, and providing for appropriate employee working conditions, benefits, and training; (ii) demonstration of adequate capitalization; and (iii) a detailed plan evidencing how the dispensary will enforce the alcohol and drug free workplace policy.

Additional information the applicant must also provide includes the following: (i) demonstration of Maryland residency among the owners and investors; (ii) evidence that the applicant is not in arrears regarding any tax obligation in Maryland or other jurisdictions; and (iii) the medical cannabis extracts and medical cannabis-infused products proposed to be dispensed with proposed cannabinoid profiles, including varieties with high cannabidiol content, and the varieties of routes of administration.

Record Keeping and Inventory Tracking

Maryland requires use of a seed-to-sale tracking system operated by METRC. Licensees must create and use a perpetual inventory control system that identifies and tracks the stock of medical cannabis from the time it is delivered or produced to the time it is delivered to a patient or qualified caregiver. The applicant must describe how it will assure the integrity of the electronic manifest and inventory control system and that a cannabis transportation agent will continue the chain of custody to a dispensary agent.

The applicant must retain attendance records and ensure Dispensary Agents are trained on the record retention and standard operating procedure. MMCC regulators have the authority to audit the records of licensees to ensure they comport with the reporting in METRC.

Transportation

Only licensed medical cannabis growers, processors, and authorized secure transportation companies may transport business-to-business packages containing medical cannabis. Dispensaries are not authorized to pick up medical cannabis products from licensed growers or processors. Owners and employees of secure transportation companies must register as transportation agents with the MMCC by undergoing criminal and financial background checks, and they must carry identification cards evidencing they hold current registration at all times while in possession of medical cannabis. Transportation agents must possess a current, valid driver's license and may not wear any clothing or symbols that indicate ownership or possession of medical cannabis while on duty. Medical cannabis transport vehicles must be approved by the MMCC and shall display current registration from the state, be insured, and may not display any sign or illustration related to medical cannabis or a licensee.

Electronic manifests must accompany all shipments to record the chain of custody and includes (i) the name and address of the shipping licensee; (ii) the shipping licensees shipment identification number; (iii) the weight and description of each individual package that is part of the shipment, and the total number of individual packages; (iv) the name of the licensee agent that prepared the shipment; (v) the name and address of the receiving licensee; (vi) any special handling or storage instructions; (vii) the date and time the shipment was prepared; (viii) the date and time the package was placed in the secure transport vehicle; and (ix) a listing of any other people who had custody or control over the shipment, and the person's identity, circumstances, duration and disposition.

Dispensary licensees in Maryland are authorized to perform home delivery directly to patients. To do so, the dispensary must (i) independently verify the patient's identification and registration status, (ii) enter the transaction in METRC prior to delivery; (iii) perform the delivery through a registered dispensary agent; and (iv) confirm the transaction otherwise complies with all other requirements regarding sale of medical cannabis under applicable regulations. The Policy Committee of the MMCC recently recommended several changes to the home delivery rules that would require all home delivery be performed using a secure medical cannabis transport vehicle.

Regulation of Cannabis in California

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 ("**CUA**"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult-Use of Marijuana Act" ("**AUMA**") creating an adult-use marijuana program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("**MAUCRSA**"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are Bureau of Cannabis Control ("**BCC**"), California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration. MAUCRSA went into effect on January 1, 2018.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to marijuana operators or can choose to outright ban marijuana.

Licenses

The Adult-Use Retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older who do not possess a physician's recommendation provided that the customer presents valid domestic or international government-issued photo identification.

The Medicinal Retailer licenses permit the sale of medicinal cannabis and cannabis products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations.

The Adult-Use and Medicinal Cultivation licenses permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit

the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities.

In the state of California, only cannabis that is grown in the state can be sold in the state. California is not a vertically integrated system and the wholesale purchase of cannabis from (or the distribution of cannabis and cannabis product to) another licensed entity within the state.

To operate legally in California, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining the state license, and 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. There are no residency requirements for ownership under MAUCRSA.

License types are designated into two classes: Type M (medical) or Type A (adult-use). There are 20 types of licenses, and a single entity may possess both Type M and Type A licenses. Licensees must conduct their commercial cannabis activity within a single premises, which must be contiguous. Although multiple premises are allowed on a given parcel, each premises must be sufficiently separate from any other premises, i.e., having separate entrances and exits and no shared common areas. Importantly, licensees may not sublet any portion of their licensed premises, and therefore, a licensee cannot lease a multi-unit building and sublease one of the units to an affiliated licensee.

Only businesses engaged in "commercial cannabis activity" are required to have a license – ancillary services, technology, and know-how are not included unless their interests in the licensee amount to "ownership" or a "financial interest."

Under MAUCRSA, an "owner" no longer distinguishes between public and private companies. An owner is: (1) anyone with an aggregate ownership interest of 20% or more in the applicant, unless the interest is solely a security, lien, or encumbrance, (2) the chief executive officer of a nonprofit or other entity, (3) a member of the board of directors for a nonprofit, or (4) an individual participating in the direction, control, or management of the applicant. Each owner of the entity applying for a cannabis license is required to submit fingerprint images and background checks. Such fingerprinting requirement extends to shareholders holding 5% or more of the equity of the applicant's public company owner.

Reporting Requirements

The state of California has selected Franwell Inc.'s METRC solution ("**METRC**") as the state's track-and trace ("**T&T**") system used to track commercial cannabis activity and movement across the distribution chain ("**seed-to-sale**"). The METRC system is in the process of being implemented state-wide but has not been released. When operational, the system will allow for other third-party system integration via application programming interface ("**API**"). T&T currently captures required data points for cultivation, distribution and retail as stipulated in BCC regulations. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, a license holder to is required to:

- maintain a fully operational security alarm system;
- contract for security guard services;
- maintain a video surveillance system that records continuously twenty-four (24) hours a day;
- ensure that the facility's outdoor premises have sufficient lighting;

- not dispense from its premises outside of permissible hours of operation;
- store cannabis and cannabis product only in areas per the premises diagram submitted to the state of California during the licensing process;
- store all cannabis and cannabis products in a secured, locked room or a vault;
- report to local law enforcement within twenty-four (24) hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- to ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered with the BCC, that meet BCC distribution requirements, are to be used to transport cannabis and cannabis products.

Compliance with Applicable State Law in the United States

Each of GreenMart NV, HFL, Soothing Options, IMT, LMS, CMI, S8 Management, ABACA, Budding Rose, Rosebud, GreenMart MD CGX and THC LLC (which are identified on the Corporation's material assets and investments set out above as having "Direct" involvement in the U.S. marijuana industry) (collectively, the "**Licensed Entities**") hold licenses (or in the case of S8 Management, IMT and CGX, are responsible for the management of certain Licensed Entities as described above) that are in good standing to cultivate, process/manufacture and/or distribute/sell marijuana in its respective state in the U.S. Each of the Licensed Entities currently classified as having a "Direct" involvement in the U.S. marijuana industry are in compliance with all applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. There are not now, nor have there been, any violations or notices of non-compliance with any state law, rule or licensing requirement applicable to any Licensed Entity.

With respect to those operating entities currently classified as having an "Ancillary" involvement in the U.S. marijuana industry (being S8 Transportation and Fall River) (the "**Non-Licensed Entity**"), to the best of the Corporation's knowledge, the Corporation is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any other Non-Licensed Entity and the Corporation is not aware of: (i) any non-compliance by a Non-Licensed Entity with respect to its marijuana-related activities, (ii) any notices of violation with respect to a Non-Licensed Entity's marijuana-related activities by their respective regulatory authority or (iii) any non-compliance with any applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.

To date no inspection of a Licensed Entity or Non-Licensed Entity by a state sanctioned inspector (as applicable in each state where a Licensed Entity or Non-Licensed Entity conducts business) has resulted in any non-compliance issues.

S8 Management (currently classified as having a "Direct" involvement in the U.S. marijuana industry) (the "**Manager**") is responsible for monitoring the day to day activities of each Licensed Entity (other than GreenMart NV which is the responsibility of CGX and CMI which is the responsibility of IMT), including ensuring that the established standard operating procedures are being adhered to at each stage of the cultivation, processing, distribution, transportation and retail cycle, as applicable, to identify any non-compliance matters and to put in place the necessary modifications to ensure compliance. The Manager CGX and IMT, as applicable, performs monthly, unannounced audits against its established standard operating procedures and applicable state regulations. Each employee of a Licensed Entity is provided with written guidance outlining the standard operating procedures and applicable state regulations and is then provided with regulatory training by an employee of the applicable Licensed Entity.

The Manager CGX and IMT, as applicable, ensures that each Licensed Entity has twenty-four (24) hour surveillance of every room in which marijuana is cultivated, processed, stored or sold. This footage is kept and stored in accordance with the applicable legislative obligations of such Licensed Entity. Each Licensed Entity utilizes approved software for tracking marijuana inventory.

While the Corporation's business activities are compliant with applicable state and local law, such activities remain illegal under U.S. federal law. *See "Risks and Uncertainties".*

Compliance Software

The Corporation utilizes an enterprise compliance platform, which integrates the inventory management program and standard operating procedures of the Manager and Licensed Entities with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. The software features a robust auditing system that allows for both internal as well as third-party compliance auditing, covering all state and municipal, facility and operational requirements. Regulations are monitored in real-time and software updates are timely released to account for any changes. The enterprise compliance platform offers standard operating procedure building tools to facilitate the implementation and maintenance of compliant operations and tracks all required licensing maintenance criteria, which include countdown features and automatically generated reminders for initiating renewals and required reporting.

In addition to the foregoing, in Nevada the Corporation utilizes software that helps ensure compliance on both the industry and regulatory sides of the Corporation's business. This software assists in reporting required events and information as well as enforcement and compliance monitoring. Key features of this software include:

- preventing and monitoring drug diversions from a "state mandated" position;
- traceability;
- creating a vertically integrated "closed-loop" medical marijuana regulatory scheme which stems, in part, from the landmark 2005 California case, *Gonzales vs. Raich* (if you can demonstrate a closed loop, in which no marijuana crosses state borders, it strengthens against federal intervention);
- RFID (Radio Frequency Identification) technology combined with serialized item tracking, the system creates an "end to end" surveillance system where a municipality has real-time visibility at any given time into the inventory at all the locations (does not rely on audits for tracking);
- central control of security through RFID secure tag ID;
- capturing perpetual inventory quantities;
- providing an inspection process with the tools necessary to complete onsite validation of inventory with audit capability and anti-piracy safeguards;
- supporting the auditing process from a series of exception reports;
- providing the means to report required inventories with minimal cost and investment;
- a secure reporting environment which allows for the regulators to have access to all required data;
- providing real time digital transport manifest which gives access to law enforcement enabling them to quickly discover illegal activity during transportation;
- tracking transfers between licensed premises;
- allowing regulatory users to view all licensee activities captured in the system;
- creating audit trails and tools for assessing risk and channeling resources more efficiently;
- creating an industry database of analytical information to establish trends and benchmarks for marijuana production;
- allowing criminal investigators to streamline field enforcement and compliance activities associated with licensees;
- providing aggregate data regarding cultivation, production, transportation and sales of marijuana within the regulated model; and
- secure web hosted solution scaling to thousands of credentialed users.

Compliance Program

The Corporation has developed and continues to refine a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained Greenspoon Marder, LLP ("**Greenspoon Marder**"), as local outside counsel to assist the Corporation in the development of compliance procedures which will assist the Corporation in monitoring the Corporation's compliance with U.S. state law on an ongoing basis. The Corporation will continue to work closely with Greenspoon Marder and is evaluating the engagement of one or more independent third party providers, to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the complex regulatory frameworks of the states to the jurisdiction of which any of the operations of the Corporation are subject. The internal compliance program currently in place includes continued monitoring by managers and executives of the Corporation and its subsidiaries to ensure all

operations conform to and comply with required laws, regulations and operating procedures. The Corporation further requires the Manager and the Licensed Entities to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

CANADIAN LEGISLATION

Below is a summary of the current and prior legislation in force in Canada related to both medical and adult-use cannabis.

Summary of the ACMPR and Cannabis Act.

The ACMPR replaced the Marijuana for Medical Purposes Regulations (the "**MMPR**") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The replacement regulations were implemented as a result of the ruling by the Federal Court of Canada in the case of *Allard v Canada* which found the MMPR unconstitutional in violation of the plaintiffs' rights under Section 7 of the Charter of Rights and Freedoms due to the restrictions placed on a patient's ability to reasonably access medical cannabis.

The ACMPR effectively combined the regulations and requirements of the MMPR, the Marihuana Medical Access Regulations and the section 56 exemptions relating to cannabis oil under the *Controlled Drugs and Substances Act* (Canada) (the "**CDSA**") into one set of regulations. In addition, among other things, the ACMPR set out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from a producer licensed by Health Canada to, among other things, possess, sell, provide deliver and transport cannabis or cannabis oil (a "**Licensed Producer**"). Under the ACMPR, patients had three options for obtaining cannabis:

(a) they can continue to access quality-controlled cannabis by registering with licensed producers;
(b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
(c) they can designate someone else to produce it for them.

With respect to (b) and (c), starting materials, such as plants or seeds, must be obtained from licensed producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Corporation's products and could materially and adversely affect the business, financial condition and results of operations of the Corporation. That said, management of the Corporation believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

The ACMPR set out, among other things, the authorized activities and general responsibilities of licensed producers, including:

- the requirement to obtain and maintain a license from Health Canada prior to commencing any activities;
- calculating the quantity of cannabis, other than dried cannabis, that is equivalent to a given quantity of dried cannabis;
- security measures relating to facilities and personnel;
- Good Production Practices ("**GPP**");
- packaging, shipping, labeling, import and export and record-keeping requirements; and
- patient registration and ordering requirements.

Authorized activities under the ACMPR include the production and sale of starting materials (i.e., cannabis seeds and plants) to those individuals who have registered to produce a limited amount of cannabis for their own medical purposes, or to have it produced by a designated person, and the ability to sell an interim supply of fresh or dried cannabis or cannabis oil to registered persons while they wait for their plants to grow. Licenses and license applications under the ACMPR consolidate the MMPR (as hereinafter defined) license requirements for the production and sale of dried cannabis, the requirements for supplemental licenses under the Section 56 CDSA exemption, and the new requirements for the sale of cannabis seeds and plants.

Medical Marijuana

Cannabis itself is not authorized for sale as a "drug" by Health Canada under the Food and Drug Act (Canada) (the "**Canada FDA**"). Sale of cannabis by licensed producers to clients, other licensed producers or other identified groups in accordance with the ACMPR is exempt from the application of the Canada FDA by the *Cannabis Exemption (Food and Drugs Act) Regulations* (Canada), as amended, issued pursuant to the Canada FDA. The ACMPR includes provisions regulating production, processing, and labeling of cannabis to ensure that quality, safety and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the Canada FDA.

Access to cannabis includes the option for clients to purchase dried marijuana or cannabis oil from licensed producers, which is delivered to the patients via mail order (the ACMPR does not provide for retail sales of cannabis).

Access also includes growing by or on behalf of individuals remaining under the MMAR (through the Allard case mentioned above). Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who are registered and approved by Health Canada. The amounts of cannabis, seeds and plants that a client may be provided with per month is determined with reference to a permitted daily amount of cannabis, normalized to the number of grams of dried marijuana per day, specific to the patient.

"Medical Marijuana" (meaning the use of cannabis to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications) can be administered using a variety of methods including, but not limited to, smoking dried buds, capsules, and oral/dermal sprays. Unlike the pharmaceutical options, individual elements within medical marijuana have not been isolated, concentrated and synthetically manipulated to a specific therapeutic effect. The regulations prohibit any representations regarding any medicinal properties.

Reporting Requirements under the ACMPR

The ACMPR imposed certain reporting requirements on Licensed Producers, including the requirement to keep records regarding, among other things, activities with cannabis, including all transactions (sale, exportation and importation), all fresh or dried cannabis or cannabis oils returned from patients, and an inventory of cannabis. Records, including communications regarding reports for healthcare licensing authorities (both sent and received) must be kept for at least two (2) years in an easily auditable format and be made available to Health Canada upon request.

If there are any serious adverse reactions to fresh or dried cannabis or cannabis oil, Licensed Producers must also provide a case report to Health Canada within fifteen (15) days of a Licensed Producer becoming aware of such reaction. Licensed Producers are also required to prepare, on an annual basis, and maintain a summary report that contains a concise and critical analysis of all adverse reactions to have occurred during the previous twelve (12) months, and such serious adverse reactions reports must be retained by the Licensed Producer for twenty-five (25) years after the day on which they were made.

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers 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, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows: i. total amount produced in the reporting period; ii. amount released for sale in the reporting period; iii. amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and iv. amount received from other Licensed Producers during the reporting period;
- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period: i. registered clients; ii. other Licensed Producers; and iii. Licensed Dealers;
- with respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows: i. total amount held in inventory; ii. amount intended for sale but not yet approved held in inventory; iii. amount approved for

sale held in inventory; iv. amount of samples in inventory; and v. amount of fresh and dried marijuana intended for extraction activities held in inventory;

- with respect to cannabis seeds and marijuana plants, Licensed Producers must report: i. the total number of plants held in inventory; ii. the number of plants destined to be sold as starting material held in inventory; iii. the total weight of seeds held in inventory; and iv. the number and weight of seeds destined to be sold as starting material held in inventory;
- Licensed Producers 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 lost or stolen during the reporting period;
- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount: i. that was destroyed during the reporting period; and ii. 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, Licensed Producers must report the total amount returned during the reporting period;
- Licensed Producers must report the total number of shipments sent to the following during the reporting period: i. registered clients; ii. registered clients for interim supply; iii. other Licensed Producers; and iv. Licensed Dealers;
- Licensed Producers must report the total number of shipments sent to the following in each province and territory: i. registered clients; ii. registered clients for interim supply; iii. other Licensed Producers; and iv. Licensed Dealers;
- average and median daily amount of marijuana for medical purposes authorized;
- a list of ten (10) highest unique daily authorized amounts and the frequency with which they occur;
- cannabis with which they are conducting research and development activities;
- list of daily authorized amounts in specified increments;
- 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).

Adult-Use Cannabis

The Corporation intends to participate in the Canadian adult-use market for cannabis, when the adult-use of cannabis is legalized in Canada, and only in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult-use cannabis market.

Canadian Federal Regulatory Framework

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, completed its review and published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult-use. The Cannabis Act received Royal Assent on June 21, 2018, and came into force on October 17, 2018.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal (i.e., adult-use) purposes. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

On October 3, 2017, the Parliamentary Standing Committee on Health proposed amendments to the Cannabis Act including, among other things, an amendment that would permit cannabis edibles and concentrates to be sold, to come into force no later than 12 months after the Cannabis Act comes into force. The amendment was adopted by the House of Commons Standing Committee on Health, and the Government intends to authorize the legal sale of cannabis edible products and concentrates no later than 12 months following the coming into force of the proposed legislation.

The federal tax on cannabis for adult and medical use purposes will not exceed $1.00 per gram or 10% of the producer's price, whichever is higher, with retail sales taxes levied on top of that amount.

While the Cannabis Act provides for the regulation of the commercial production of cannabis for adult-use purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of adult-use cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

Regulations

On July 11, 2018, Health Canada published the Cannabis Regulations (the "**Regulations**") that serve to support, and exist under, the Cannabis Act.

Licenses, Permits and Authorizations

The Regulations establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and non-medical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. There are also sub-classes of cultivation licenses, including a "micro-cultivator" which limits the size of growing area. The Regulations provide that no licensed activity could be conducted in a dwelling-house.

Pursuant to the Regulations, there will be six classes of licenses. The Regulations also make it clear that a Licensed Producer can hold multiple licenses subject to some restrictions. All licenses will require the appointment of key personnel (and optional alternates) such as a "Responsible Person" who can bind the Licensed Producer, and all license types (except a license for Analytical Testing) will have a "Head of Security" (responsible for ensuring security measures are met). There are other key personnel required depending on the type of license held. As a transitional provision, licensees will have three (3) months from the date the Regulations come into force to appoint persons to these positions.

The six classes of licenses are outlined in the chart below:

License Type	Activities	Key Personnel	Sub Classes
Cultivation	May possess or obtain dried cannabis, fresh cannabis, cannabis plants, or seeds by cultivating, propagating or harvesting cannabis. To sell cannabis to specified license holders or persons authorized to sell under Provincial acts.	Master Grower	Micro[(1)] Standard Nursery[(2)]

License Type	Activities	Key Personnel	Sub Classes
Processing	May possess or produce (by use of organic solvent, if desired) dried cannabis, oil, fresh cannabis, plants or seeds or accessories that contain cannabis by means other than cultivating, propagating or harvesting it. To sell cannabis to specified license holders or persons authorized to sell under Provincial acts.	Quality Assurance Person	Micro[3] Standard
Analytical Testing	May possess or obtain cannabis by altering its chemical or physical properties by any means (including the use of organic solvents).	Head of Laboratory	Not Applicable
Sale	May possess and sell cannabis products to the Minister of Health, other specified license holders, or hospital employees.	Not Applicable.	Sale for medical purposes[4]
Research	May possess, produce, or transport cannabis for the purpose of research. May sell plants and seeds specified license holders or the Minister of Health.	Not Applicable.	Not Applicable
Cannabis Drug License	May possess cannabis and produce or sell a drug containing cannabis	Senior Person in Charge, Qualified Person in Charge	Not Applicable

Notes:

(1) Limited to cultivating up to 200 square metres of canopy area.

(2) Nurseries activities are restricted to cannabis plants or cannabis seeds.

(3) Limited to processing up to 600 kilograms of dry cannabis per year or processing the production from one micro-cultivator operating at the same site.

(4) Adult-use sales licenses will fall under provincial laws and in some cases are limited to provincial corporations authorized to sell to adult-use market.

Licensed Producers under the ACMPR will be deemed to have licenses under pursuant to Section 354 of the Regulations as follows:

Former License	New License Class	Cannabis Act Subclasses (if in compliance with the Regulations)
Licence authorizing the production of fresh or dried marihuana, or marihuana plants or seeds	Cultivation	Licence for standard cultivation Licence for micro-cultivation Licence for a nursery
Licence authorizing the production of cannabis oil or cannabis resin	Processing	Licence for standard processing Licence for micro-processing
Licence authorizing sale or provision of cannabis to medical practitioners or registered persons	Sale	Licence for sale for medical purposes

The ACMPR licenses are deemed to be converted under the Cannabis Act subject to the associated licence-holders complying with particular administrative requirements involving the Cannabis Tracking and Licensing System (CTLS).

Security Clearances

The Regulations provide that select personnel associated with certain licenses issued under the Cannabis Act would be obliged to hold a valid security clearance issued by the Minister of Health. The Regulations would enable the Minister of Health to 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.

Health Canada acknowledges in the Regulations that there are individuals who may have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis.

Security clearance requirements have been expanded from those in the ACMPR for the new classes of licenses contemplated. In addition to the license holder (and directors, officers and key personnel, as applicable) being required to pass a security clearance, key shareholders are now required to pass security clearances as well. This includes:

- any "responsible person", "head of security", master grower", "quality assurance person", or alternates for these positions;
- any partners of a partnership that holds a license;
- any individuals who exercise, or are in a position to exercise, direct control over a corporate, or cooperative license holder. This includes:
    - directors and officers of the individual, if a corporation;
    - partners of the individual, if a partnership; and
    - directors and officers of the individual if it is a corporate partner in a partnership.

As a transitional provision, licensees will have three (3) months from the date the Regulations come into force to provide the Minister of Health with names of additional persons requiring security clearances, and have those persons submit a security clearance application.

Cannabis Tracking System

Under the Cannabis Act, the Minister of Health is now authorized to establish and maintain a national cannabis tracking system. This system is entitled the Cannabis Tracking and Licensing System (CTLS). The purpose of the CTLS system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Regulations provide the Minister of Health with the authority to make a ministerial order that would require 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 of Health.

Cannabis Products

The Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. The sale of edible cannabis products and possibly concentrates (such as hashish, wax and vaping products) would only be permitted within one (1) year following the coming into force of the Cannabis Act.

The Canadian government acknowledges that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms include "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling

The Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant.

While minor allowances for branding are permitted, Health Canada has imposed strict limits on the use of colours, graphics, and other special characteristics of packaging, and products would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

Cannabis for Medical Purposes

The medical access regulatory framework under the Cannabis Act remains substantively the same as under the ACMPR, with minor adjustments to create consistency with rules for non-medical use, improved patient access, and reduced the risk of abuse within the medical access system.

Health Products and Cosmetics Containing Cannabis

Health Canada is proposing a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, will be permitted and subject to provisions of the Cannabis Act.

Recording of Key Investors

The Regulations require reporting a variety of metrics relating to key investors. A "Key Investor" is person that exercises, or is in a position to exercise, direct or indirect control over the Licensed Producer by virtue of having provided money, goods or services directly or indirectly to the holder; or holding an ownership interest or other right or interest in, or in respect of, a business operated by the Licensed Producer.

A Licensed Producer must provide the Minister of Health, on an annual basis, a description of the means by which a Key Investor exercises, or is in a position to exercise, control of the Licensed Producer, details of the transaction by virtue of which the Key Investor became such an investor, details about the benefits the Key Investor receives by virtue of their position and details about instances where money was paid by or returned to Key Investors.

These records are to be updated and maintained by licensees even after a Key Investor ceases to be such an investor. There are limited exceptions to providing some of this information for Key Investors who invested before the license was issued or before the Regulations came into force (for licenses transferring from the ACMPR).

Ability to Introduce New Genetics

The Regulations allow for a Licensed Producer who holds a cultivation licences to obtain and possess cannabis plants and seeds which were not obtained under the ACMPR provided a declaration from the applicant in prescribed form is provided. Currently, Licensed Producers under the ACMPR can only purchase cannabis genetics from other Licensed Producers, which has restricted variation in strains.

Outdoor Cultivation

The Regulations provide that cannabis may be cultivated, propagated or harvested outdoors. The cannabis produced outdoors would still need to hold up to testing requirements for microbial and chemical contaminants and be secured in accordance with the Regulations. The implications of allowing outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Any standard cultivation or processing site, including one where growth takes place outdoors, must be designed in a manner that prevents unauthorized access, has a perimeter that is visually monitored at all times by recording devices which can detect any attempted or actual unauthorized access to the site, is surrounded by a physical barrier that prevents unauthorized access and would require monitoring only at the entry and exit points. Similarly, micro-processors, micro-cultivators, and nurseries all require physical barriers surrounding the site and any storage areas.

Packaging Requirements

There are numerous limitations set on packaging and brand elements. Packaging must have one of fourteen (14) health warning messages, standardized cannabis symbol on all products, requirements with respect to information on THC and Cannabidiol content, as well as other information that would be required on each label, including specific requirements with respect to the size, placement and appearance of this information. No more than one other brand element in addition to the brand name displayed. This element could include, for example, a slogan or logo.

Packaging cannot include, any other images or graphics than the permitted logo, multi coloured labels or package backgrounds, any fluorescent or metallic colours, any coating, embossing, texture, foil, cut-outs or peel-away labels, any over-wrap other than clear over wrap or any insert in a package.

As well packaging cannot contain any hidden features designed to change appearance or surface area, emit or produce scent or sound or have any cut-out windows. All barcodes must be rectangular and contain no image or design, no branding, or images are permitted on the interior of the package and the covering of any cannabis container must be transparent and colourless.

Provincial Regulatory Framework

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

To date all provinces and territories in Canada have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions.

Each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Quebec and Alberta, where the minimum age will be 18.

On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of cannabis for adult-use in connection with the federal government's proposed legalization. Online distribution is available across Ontario, beginning October 17, 2018. Ontario had initially announced that approximately 150 standalone stores will only sell cannabis (no cannabis will be sold alongside alcohol) to be opened by 2020. However, on August 13, 2018, the province of Ontario announced that it would immediately begin consultations regarding a regulated private retail model for cannabis that will launch by April 1, 2019. As part of this process, the Ontario government will begin consultations with municipalities, Indigenous communities, law enforcement, public health advocates, businesses and consumer groups and representatives of the other provinces with private retail to ensure that Ontario's private retail model remains safe while helping to eliminate the illegal market. Reports of the proposed private retail model note that the new plan may mirror the Alberta model, which allows for privately owned stores to sell marijuana if they carry a license from the province.

The Government of Manitoba has announced a "hybrid model" for cannabis distribution when cannabis for recreational purposes is legalized. The supply of cannabis in the Province of Manitoba will be secured and tracked by the Manitoba Liquor and Lotteries Corp., however private retail stores will also be permitted to sell recreational cannabis.

The Government of Alberta has announced a cannabis framework providing for the purchase of cannabis products from retailers that will receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only specialized retail outlets will be permitted to sell cannabis. The Government of Alberta will allow cannabis to be sold online through the government or government licensed and regulated private operators.

The Province of New Brunswick announced that it will set up a network of tightly-controlled, stand-alone stores through the New Brunswick Liquor Corporation.

The Government of Quebec announced that the legal age for cannabis consumption in that province would be 18 years of age. The SAQ, Quebec's liquor board, will oversee the sale and distribution of marijuana, but the sales will be carried out by a new, separate entity: the Société Québécoise du Cannabis ("**SQDC**"). Marijuana will be available for purchase at SQDC-run stores and online. There are plans to open about 20 stores by December and between 150 and 160 stores in the next two to three years.

In Newfoundland and Labrador, the supply, distribution and retail of cannabis is being regulated by the Newfoundland and Labrador Liquor Corporation ("**NLC**"). The NLC will control the possession, sale and delivery of cannabis, and set prices. 27 potential retailers spread throughout the province are currently going through the approval process. Consumers will also be able to purchase cannabis online from the NLC once legalization is in place. Purchasing cannabis from anyone other than the NLC or an NLC-licensed retailer will be illegal.

The Yukon has released a "starting point" policy which limits the distribution and sale of recreational cannabis to government outlets and government-run online stores and allows for the later development of private retailer operations.

The Government of the Northwest Territories has also announced its proposed approach for the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

The Government of British Columbia announced that recreational cannabis will be sold in privately run retail stores or government-operated retail stores and online sales. The BC Liquor Distribution Branch will operate the public retail stores, and Liquor Control and Licensing Branch will be responsible for licensing private stores and monitoring the retail sector. The operating rules governing public and private retail stores will be similar to those currently in place for liquor. In urban areas, licensed retailers will not be able to sell cannabis in the same stores as liquor or tobacco.

The Government of Saskatchewan announced that recreational cannabis will be sold by private companies. The Saskatchewan Liquor and Gaming Authority ("**SLGA**") will issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nations across the province, with municipalities having the option of opting out of having a cannabis store if they choose. The SLGA will establish a licensing regime for wholesalers/distributors and retailers, with strict qualifying criteria including criminal background checks and inventory

tracking and reporting capabilities. Wholesalers/distributors and retailers will be required to purchase non-medicinal cannabis from a federally licensed producer.

The Government of Prince Edward Island has announced that it will have four dedicated government-owned retail locations for cannabis sales in 2018, as well as an e-commerce platform with direct-to-home delivery.

The Government of Nova Scotia has announced that the Nova Scotia Liquor Corporation will be the only authorized retailer of cannabis in Nova Scotia. Cannabis can be purchased at designated Nova Scotia Liquor Corporation stores or online. Recreational cannabis will be sold initially in 12 stores that are in population hubs in the province.

The Government of Nunavut has announced that cannabis will initially be available by mail order from southern Provinces, then through the Nunavut Liquor and Cannabis Commission and, eventually, through private stores that are granted licenses.

There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will be implemented on the terms outlined above or at all. See "*Risk Factors*".

Licensing Framework

The application process for becoming a licensed producer for cannabis for medical purposes in Canada consists of six stages:

Stage 1- Intake and Initial Screening

The initial screening includes an assessment of (i) the proposed business plan (if a new licence); (ii) the security clearance application form; and (iii) record-keeping methods pertaining to security, GPP, inventory and destruction methods; and (iv) whether notices were provided to senior officials of the local government where the applicant's facility is located. If the application is incomplete, the application is returned to the applicant. If an application appears to be complete, it will be assigned an application number. The application number means that the applicant has completed the assessment.

Stage 2 - Detailed Review and Initiation of Security Clearance Process

All information submitted to Health Canada, and any other relevant information, is reviewed to: (i) complete the assessment of the application to ensure that it meets the requirements of the ACMPR; (ii) establish that the issuance of the licence 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 (iii) establish that there are no other grounds for refusing the application. An application will be thoroughly reviewed to ensure that 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 to the proposed security measures and the description of the storage area for cannabis; the credentials of the proposed quality assurance person to meet the GPP outlined in the ACMPR and the details listed in the quality assurance report relating to premises, equipment and the sanitation program. At this stage, physical security plans will be reviewed and assessed in detail. While the application is in the detailed review stage, the security clearance forms for key personnel will also be sent for processing.

Stage 3 - Issuance of the Licence to Produce

Once Health Canada confirms that the requirements of the ACMPR have been met, and the application successfully completes the detailed review and security clearance stage, a licence to produce (cultivate) will be issued.

Stage 4 - Introductory Inspection

Pursuant to the terms of the production licence, a licensed producer is required to notify Health Canada as cultivation begins. Once notified, Health Canada will schedule an initial inspection to verify that the licensed producer is meeting the requirements of the ACMPR including, but not limited to, the physical security requirements for the site, recordkeeping practices and GPP and to confirm that the activities being conducted by the licensed producer correspond to those indicated on their licence. For clarity, GPP are a Health Canada established quality standard set forth in the ACMPR, intended to govern the cleanliness, record keeping and other elements of the quality assurance system imposed

upon all licensed producers for the cultivation of medical cannabis. The principle objective of the GPP is to ensure that medical cannabis cultivated in Canada is grown in accordance with a consistent standard, to ensure the safe use and consumption of medical cannabis by patients.

Stage 5 - Pre-sales Inspection

If an applicant wishes to add the activity of sale to their existing production licence, an amendment application must be submitted to Health Canada. Health Canada will then schedule an inspection to verify that the licensed producer is meeting the requirements of the ACMPR prior to allowing the sale or provision of products.

Stage 6 - Issuance of Licence to Sell

When the review is completed, an amended licence, including the activity of sale, is issued to the licensed producer. The licensed producer may now begin supplying cannabis products to registered clients, other licensed producers and/or other parties named in subsection 22(2) of the ACMPR, depending on the activities licensed.

Subsequent Events

Opening of new Health for Life dispensary in Baltimore, Maryland

On October 12, 2018, the Corporation opened its new Health for Life dispensary in Baltimore, Maryland which is located at 6807 Rolling Mill Rd Baltimore, Maryland 21224. The dispensay is operated by MPX's indirect wholly-owned subsidiary, S8 Management LLC, through its management agreement with GreenMart of Maryland, LLC ("GreenMart MD"), which is authorized to operate and sell medical cannabis products in Maryland.

iAnthus Merger

On October 18, 2018 the Corporation announced that it had signed an arrangement agreement (the "**Arrangement Agreement**") with iAnthus Capital Holdings, Inc. ("**iAnthus**") pursuant to which iAnthus will combine with MPX in an all-stock transaction with offered equity consideration to MPX shareholders valued at $835 million (the "**Merger**"). Pursuant to the Arrangement Agreement MPX shareholders will be entitled to receive 0.1673 common shares of iAnthus for each common share of MPX held, representing a consideration of approximately $1.28 per MPX common share. In addition, each MPX shareholder will receive common shares of the newly formed MPX International which will hold all of the non-U.S. businesses of MPX. MPX International will apply to list on the Canadian Securities Exchange with the listing to occur contemporaneously with closing of the Merger. The Arrangement Agreement will be carried out by way of plan of arrangement under the *Business Corporations Act* (British Columbia) and will require the approval of at least 66 2/3% of the votes cast by MPX shareholders at a special meeting expected to take place in January 2019.[3]

Acquisition of Spartan Wellness Corporation, Canadian Veteran Advisory Group

On October 22, 2018, the Corporation completed the acquisition of 100% of the outstanding shares (the "**Spartan Shares**") in the capital of Spartan Wellness Corporation ("**Spartan**") from Ninth Square Capital Corporation and Veteran Grown Corporation (the "**Sellers**") both of which are at arm's length to the Corporation.

Pursuant to the terms of the share purchase agreement dated September 17, 2018 between the Sellers and the Corporation, the Corporation acquired all of the Spartan Shares for a total purchase price of up to $6,000,000 comprised of the following consideration and based upon the achievement of certain milestones as set out below during the period beginning on the Closing Date and ending on the date that is twenty-four (24) months following the date on which Canveda is fully licensed to produce, distribute and sell Cannabis products under Health Canada's Access to Cannabis for Medical Purposes Regulations (the "**ACMPR**") (the "**Sales Period**"): (1) up to $4,500,000 satisfied through the issuance of 4,687,500 common shares in the capital of MPX (the "**MPX Shares**") issued at a price of $0.96 per MPX Share; and (2) up to $1,500,000 satisfied through the issuance of 1,304,348 common share purchase warrants (the "**Warrants**") each exercisable into one (1) MPX Share at an exercise price of $1.15 for a period of three (3) years from

[3] For additional information on the transaction please visit https://www.newswire.ca/news-releases/ianthus-and-mpx-bioceutical-announce-transformational-combination-expands-us-footprint-to-10-states-697915071.html

the Closing Date.

As part of the acquisition, MPX along with the Sellers will create the Veteran Growth Fund (the "**Fund**") that will be established using some MPX Shares and Warrants as an additional effort to assist veterans in need.

MPX has also agreed to pay a finder's fee equal to 5% of the MPX Shares issued to the Sellers at the deemed price of $0.96 per MPX Share as well as Warrants exercisable at $1.15 per MPX for a period of three (3) years.

Opening of new Health for Life dispensary in Nottingham, Maryland

On October 29, 2018, the Corporation announced that they will open a new Health for Life dispensary in Nottingham, Maryland which is located at 4741 Ridge Rd, Nottingham, Maryland, 21236. The dispensary is operated by MPX's indirect wholly-owned subsidiary, S8 Management LLC, through a management agreement with LMS Wellness, Benefit LLC ("LMS"), which provides all management services typically required by a dispensary facility to successfully operate

Additional Information

Further information on MPX may be found on the Corporation's website www.mpxbioceutical.com or readers can view annual financial statements and filings on SEDAR at http://www.sedar.com.