PLUS PRODUCTS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED MARCH 31, 2019

This "Management's Discussion and Analysis" ("MD&A") of Plus Products Inc. (the "Company", "PPI") has been prepared as of May 30, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements ("interim financial statements") of the Company for the three months ended March 31, 2019. Past performance may not be indicative of future performance.

The Company's interim financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in US dollars ($) unless otherwise stated.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The three months ended March 31, 2019 and 2018, are also referred to as "Q1 2019" and "Q1 2018", respectively.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

This MD&A should be read in conjunction with the interim financial statements and related notes for the three months ended March 31, 2019 and 2018, which have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS" or "GAAP"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017 ("consolidated financial statements").

Statements are subject to the risks and uncertainties identified in the "Risk Factors", "Forward-Looking Statements" sections of this document. The Company has included certain non-GAAP performance measures. For further information and detailed calculations of these measures, see the "Non-GAAP Measures" section of this document.

BUSINESS OVERVIEW

The Company was incorporated in March 2018 under the laws of British Columbia. The Company's head office is located at 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7. On October 26, 2018, the Company completed an initial public offering whereby its subordinate voting shares became listed on the on the Canadian Securities Exchange (the "CSE") under the symbol "PLUS" and then subsequently on the OTC Market Group ("OTCQB") in the United States under the symbol "PLPRF".

The Company, through its wholly-owned subsidiary, Carberry, LLC ("Carberry"), operates as a branded cannabis products manufacturer with operations in the State of California. Its products consist of cannabis-infused edibles, which the Company sells to both the regulated medicinal and adult-use, or recreational, markets. Carberry holds an Annual License issued by the State of California Department of Public Health, Manufactured Cannabis Safety Branch pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act to extract and manufacture cannabis-infused products at its facility located in Adelanto, California. The Company's products are infused with cannabis oil, which is sourced from licensed suppliers located in California. The Company has arrangements with licensed distributors to sell products under the PLUS™ brand to over 300 licensed dispensaries and delivery service customers.

Under an arrangement with Plus Products California Cooperative, Inc. ("Plus Cooperative"), the Company provided capital and other resources to Plus Cooperative to support its manufacture and distribution of branded products for the medicinal cannabis market. In January 2018, Carberry commenced sales to both medicinal and adult-use recreational accounts. In January 2018, the Company acquired the assets of Plus Cooperative, which it then assigned to Carberry.

In April 2018, the Company's subsidiary, Plus Products Holdings, Inc. ("Plus Nevada"), a Nevada corporation, concluded a merger transaction in which Plus Nevada was merged with and into Plus Products Holdings, Inc. ("Plus Delaware"), a Delaware corporation, with Plus Nevada as the surviving entity (the "Plus Merger").

In July 2018, the Company entered into a securities exchange agreement (the "Securities Exchange Agreement") with Plus Nevada, pursuant to which the Company acquired 100% ownership of Plus Nevada (the "Plus Nevada Acquisition").

For accounting purposes, the Transaction was considered a reverse takeover whereby Plus Products was deemed to be the acquiree and Plus Nevada the acquirer with the net identifiable assets of Plus Products deemed to have been acquired by Plus Nevada, but Plus Products the continuing entity. Consequently, the consolidation includes the results of Plus Nevada for both the years ended December 31, 2018 and 2017, even though the Company was only incorporated in 2018.

On October 26, 2018, the Company completed an initial public offering on the CSE. The Company issued 6,153,847 Subordinate Voting Shares, at CAD$3.25 each, raising gross proceeds of CAD$20,000,003 ($15,270,522). Fees were CAD$1,206,782 ($921,409). for a net raise of CAD$18,793,221 ($14,349,113). The agents on the public offering received warrants for 299,300 shares at CAD$3.25. The lead agent also received 80,000 shares valued at CAD$260,000 ($200,000).

On December 13, 2018, the Company acquired all the assets of California-based cannabis-infused baked goods brand GOOD CO-OP, INC. ("GOOD"). The Company issued 357,464 subordinate voting preferred shares of which 34,013 subordinate voting shares were issued to the shareholders and holders of simple agreements for future equity; 323,451 subordinate voting preferred shares have been placed in escrow and are subject to an earn-out based upon achieving quarterly sales targets over 2019 and 2020. The value of the shares granted at the acquisition date was $122,233, while the shares subject to earn-out were valued as a contingent consideration of at $703,324. Total consideration paid by the Company was $930,557 including forgiving $105,000 advanced to GOOD prior to closing and $825,557 in subordinate voting preferred shares.

On February 28, 2019, the Company completed a private placement of 25,000 Unsecured Convertible Note Units (the "Note Units") for C$25,000,000 at a price of C$1,000 per Note Unit. Each Note Unit is to be comprised of one C$1,000 principal amount unsecured convertible note (each, a "Convertible Note") accruing interest at 8% per annum, payable semi-annually in arrears until maturity, and 77 common share purchase warrants of the Company (each, a "Warrant"). The Convertible Notes will have a maturity date of February 28, 2021. Each Convertible Note shall be convertible into common shares in the capital of the Company at a price of C$6.50 per share commencing September 28, 2019. Each Warrant entitles the holder thereof to acquire one common share in the capital of the Company for an exercise price of C$8.00 per share until February 28, 2021. If exercised during the first 12 months after the Closing Date, the underlying shares shall be subject to a 365-day contractual hold from the Closing Date. The investment bankers ("agents") received a cash commission on the sale of the Offering of C$1,268,350, plus C$98,750 as agents' expenses, including legal fees. The agents also received 100,823 compensation warrants, each carrying the right to purchase one subordinate voting share in the capital of the Company at a price of C$8.00 per share until February 28, 2021.

Additional information regarding the Company can be found on the Company's SEDAR profile at www.sedar.com

EVENTS AFTER THE REPORTING PERIOD

On April 29, 2019, the Company announced that it has elected to accelerate the expiry of certain warrants previously issued by the Company's wholly-owned subsidiary, Plus Products Holdings Inc., which were assumed and honored by the Company pursuant to the closing of the Share Exchange Agreement on July 24, 2018. The acceleration applies to the Series Seed Preferred Share Warrants previously issued on July 21, 2017, July 28, 2017 and August 1, 2017, (ii) the Series B-1 Preferred Share Warrants issued on February 8, 2018, February 15, 2018, March 9, 2018, and March 29, 2018, including the related Series B-1 Preferred Share Warrants issued as finder's fees on April 13, 2018, and (iii) Series B-2 Preferred Share Warrants issued on April 4, 2018. The Warrants will now expire at 5 p.m. (Pacific Time) on Wednesday, May 29, 2019. Please refer to the Company's news release dated April 29, 2019 for additional information regarding the acceleration.

On April 30, 2019, the Company granted 1,566,874 stock options for proportionate common shares. The stock options have an exercise price of C$4.59, a ten-year life and variable vesting terms dependent on the Grantee.

On April 30, 2019, the Company granted 212,389 Restricted Stock Units covering Common Shares with a deemed value of $3.39 (C$4.59) per unit.

On May 24, 2019, the Company entered into a definitive agreement to partner with TapRoot Holdings Inc. ("Taproot"), a vertically integrated cannabis company operating cultivation and manufacturing facilities in Las Vegas, Nevada. The agreement enables the Company to produce its products in Nevada using cannabis cultivated by Taproot, who will distribute the products manufactured in Nevada by the Company and share in the revenues.

GOING CONCERN OF OPERATIONS

These interim financial statements have been prepared using the going concern function which assumes the Company will continue in operation for the foreseeable future, will obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

NON-GAAP MEASURES

Adjusted uncompressed weighted average shares outstanding and loss per share

The Company has additionally determined the adjusted uncompressed weighted average shares outstanding and loss per share, basic and diluted. The Company believes these measures to be representative of loss and comprehensive loss on a per share basis; however, these performance measures have no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with GAAP, some investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

SUMMARY FINANCIAL INFORMATION

The following selected financial information has been derived from, and is qualified in its entirety by, the interim financial statements of the Company for the three months ended March 31, 2019, and the notes thereto:

	Three Months Ended March 31,	
	2019	2018
Income (Loss)	**$**	$
Revenues	**3,244,958**	868,203
Gross Margin	**691,857**	69,411
Operating and Other Expenses	**4,061,693**	1,188,151
Net Loss	**(3,444,860)**	(1,137,575)
Loss per uncompressed share	**(0.09)**	(0.05)

Balance Sheet	**March 31, 2019**	December 31, 2018
	$	$
Current Assets	**40,056,557**	24,580,118
Total Assets	**45,126,965**	27,845,032
Total Liabilities	**14,803,897**	2,165,126
Shareholders' Equity	**30,323,068**	25,679,906
Cash dividends per share	**-**	-

OVERALL PERFORMANCE

Sales climbed 374% to $3.25M in the three months ended March 31, 2019 from $0.87M, as the Company was just starting to sell to the adult use market a year ago; by 2019, the Company had established itself as a leading brand in the California market. With higher volume and operating efficiencies, margins grew 997% to $0.69M from $0.07M in Q1 2018. The net loss for Q1 2019 was $3.44M (loss per share - $0.09) compared to a net loss of $1.14M (loss per share - $0.05) for the comparable period in 2018. The Company continues to invest in sales, operations and corporate personnel to support current and pursue additional future growth opportunities, as well as incur costs of being a public company after the IPO in Q4 2018.

As of March 31, 2019, net working capital is up to $37.30M (December 31, 2018 – 22.41M) from funds raised from the subordinated debt secondary offering completed in February 2019. Shareholders' equity is $30.32M at March 31, 2019, compared to $25.68M at the end of 2018. The change relates primarily to the issuance of warrants exercised and the fair value of warrants included in the subordinate debt offering.

RESULTS OF OPERATIONS

Review of consolidated financial results for Q1 2019 compared to Q1 2018

During the three months ended March 31, 2019, the Company reported revenue of $3.25M (Q1 2018 - $0.87M). The increase in revenue is due to the increased market share of the Plus Products brand from more sales personnel, focus on branding and increased production capacity delivering high quality products. Because of the higher volume and operating efficiencies, gross margins grew even faster to $0.69M in Q1 2019 from $0.07M in Q1 2018.

With its growth and focus on increasing market share, the Company incurred $3.70M in operating expenses in Q1 2019 (Q1 2018 - $1.17M). Salaries and benefits climbed to $1.05M (Q1 2018 - $0.24M) for additional sales, factory management and corporate personnel to scale up production and sales, pursue potential new growth opportunities and support being a public company. To further incent its personnel, the Company incurred $0.18M in share-based compensation (Q1 2018 - $Nil). The Company spent $0.87M on professional fees (Q1 2018 - $0.32M) for legal, accounting, audit fees and investor relations expenses in conjunction with being public as well as legal expenses pertaining to growth opportunities. The Company incurred $0.70M in consulting fees (Q1 2018 - $0.50M) for insights into branding and consumer segmentation, oversight of factory operations and expansion alternatives. General and administrative costs of $0.46M (Q1 2018 - $0.04M) and travel expenses of $0.20M (Q1 2018- $0.03M) climbed based on the additional personnel and underlying insurance, banking and facility costs. Advertising and promotion costs of $0.23M (Q1 2018 - $0.04M) for increased merchandising, event and public relations costs to support the sales team and branding efforts.

The Company accrued $0.08M for income taxes during Q1 2019 (2018- $0.02M) based on IRS 280E regulations. The Company incurred $0.17M in interest in the quarter from the subordinated debt offering in February 2019 (2018 - $0.01M). The Company had foreign exchange gains of $0.16M on funds held in Canada in 2019 (2018 - $Nil).

The net loss in Q1 2019 was $3.44M (loss per share - $0.09) compared to a net loss of $1.14M (loss per share - $0.05) for Q1 2018. The loss grew with the costs of supporting the higher sales volume along with costs incurred being public and to pursue future growth opportunities. However, with higher operating efficiencies with the investments in production, branding and personnel, the loss grew much less than the overall sales increase.

The Company has $35.58M cash on hand at March 31, 2019, up from $22.40M at December 31, 2018. The Company's total assets increased to $45.13M as of March 31, 2019 from $27.85M on December 31, 2018 due to cash raised from the subordinated debt offering raised in February 2019. Pursuant to the offering, as well as recognizing the lease liability, for facilities based on accounting policy changes impacted by IFRS 16 – Leases ("IFRS 16"), total liabilities climbed to $14.80M from $2.17M. Shareholders' equity increased to $30.32M as at March 31, 2019 from $25.68M in December 31, 2018 from the issuance of warrants exercised and the fair value of warrants included in the subordinate debt offering.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information of the Company. This information is derived from unaudited interim financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Quarter Ending							
	2017	**2017**	**2017**	**2018**	**2018**	**2018**	**2018**	**2019**
	Jun 30	**Sep 30**	**Dec 31**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Mar 31**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**	**($)**
Revenues	249,692	356,865	385,105	868,203	1,582,132	2,561,866	3,350,346	3,244,958
Cost of Goods Sold	332,806	528,923	548,600	798,793	1,353,448	2,176,364	2,922,787	2,553,101
Gross Margin	(83,114)	(172,058)	(163,495)	69,410	228,684	385,502	427,559	691,857
Advertising/ Promotion	4,266	8,493	61,418	18,207	47,716	47,814	78,846	227,300
Amortization	-	1,530	(1,096)	292	292	292	1,080	-
Consulting fees	46,477	614,607	370,177	-	10,000	163,101	602,582	699,023
General/ Administrative	6,400	90,625	126,318	81,748	105,834	257,383	327,796	460,301
Meals and travel	28,407	47,325	94,672	30,160	57,096	146,624	179,398	198,560
Professional fees	823	65,771	232,879	218,696	388,432	646,641	817,569	874,301
Regulatory Fees	55	17,374	243	112	4,741	6,608	2,784	3,336
Research and Development	7,780	5,140	2,550	-	-	-	828	5,987
Salaries and benefits	53,434	143,667	241,158	203,428	380,970	533,150	1,026,379	1,051,148
Share-based compensation	-	38,520	18,000	498,907	263,250	255,750	207,807	179,629
Results from Operations	(230,756)	(1,205,110)	(1,309,814)	(982,140)	(1,029,647)	(1,671,861)	(2,817,510)	(3,007,728)
Other (Income) and Expense	-	-	46,074	-	-	(234)	(1,252)	(50)
Accretion Expense	-	-	-	-	-	-	-	349,028
Interest Expense	12,095	13,551	10,236	14,341	12,000	6,878	-	170,709
Loss (Gain) on Foreign Exchange	-	-	-	-	-	-	146,637	(157,579)
Loss Before Income Taxes	(242,851)	(1,218,661)	(1,366,124)	(996,481)	(1,041,647)	(1,678,505)	(2,963,468)	(3,369,836)
Income Taxes	-	-	-	18,834	67,773	118,472	49,365	75,024
Net Income (Loss)	(242,851)	(1,218,661)	(1,366,124)	(1,015,315)	(1,109,420)	(1,796,977)	(2,914,103)	(3,444,860)
Net Income (Loss) Per Share	(0.02)	(0.07)	(0.08)	(0.05)	(0.05)	(0.05)	(0.07)	(0.09)
Weighted Average Uncompressed Outstanding Shares	10,362,695	17,472,796	17,512,537	21,635,781	24,551,555	33,071,397	39,424,708	39,743,591
Total Assets	390,070	2,598,203	1,821,500	6,908,728	6,756,495	15,248,628	27,845,032	45,126,965
Total Liabilities	755,778	785,605	1,040,850	1,395,948	1,473,981	1,505,961	2,165,126	14,803,897
Net Assets	(365,708)	1,812,598	780,650	5,512,780	5,282,514	13,742,667	25,679,906	30,323,068

DISCUSSION OF QUARTERLY RESULTS

Revenues

The Company's revenue increased to $3.25M in Q1 2019 compared to $0.87M in Q1 2018 with the higher market share which climbed during 2018 based on the Company's focus on emphasizing the Plus Products brand, maintaining high product standards and increased the size of its sales team which allowed it to grow faster than the overall market.

Gross Margins

Gross margins improved 997% to $0.69M in Q1 2019 compared to $0.07M in Q1 2018. The increased sales volume and focus on operating efficiencies through more efficient equipment and processes enabled labor and overhead costs to grow much less than the sales increase.

Advertising and Promotions

Advertising and promotions remained a small part of operating costs, increasing to $0.23M in Q1 2019 compared to $0.04M in Q1 2018, as the Company relied more on sales personnel and product branding/offerings to drive sales growth. The increased expenses went towards higher merchandising, public relations and event costs.

Consulting Fees

Consulting fees were $0.70M in Q1 2019 for branding, accounting, technology, operations and other advisory work to support the growth of the business and explore avenues for future growth. Out of pocket costs were $0.50M in Q1 2018 which were paid through equity (see Share Based Compensation).

General and Administration

General and administration costs were $0.46M in Q1 2019 compared to $0.04M in Q1 2018 for higher facility, insurance, banking and other administrative costs due to the growth of the Company.

Meals and Travel

Meals and travel costs were $0.20M in Q1 2019 compared to $0.03M in Q1 2018 due to additional salespeople driving higher sales volume along with management travel to pursue growth opportunities and support investor relations.

Professional Fees

Professional fees were $0.87M in Q1 2019 compared to $0.32M in Q1 2018 due to additional accounting, legal and investor relations costs as a public company as well as additional legal fees incurred pertaining to potential future growth opportunities.

Salaries and Benefits

Salaries and benefits increased from $0.24M in Q1 2018 to $1.05M for additional sales, factory management and corporate personnel to generate higher sales, pursue additional business opportunities and support being a publicly traded organization.

Share-based Compensation

In Q1 2019 the Company spent $0.18M compared to $Nil in Q1 2018 in share-based compensation for awards and options to reward existing personnel and attract additional management to help grow the Company. The Q1 2018 expense was higher due to grants given to outside consultants.

Accretion Expense

The Company incurred accretion expense of $0.35M in Q1 2019 compared to $Nil in Q1 2018 from the convertible debentures issued in February 2019.

Interest Expense

Interest expense increased to $0.17M in Q1 2019 from $0.01M in Q1 2018 due to accrued interest on the subordinated debt offering that closed in February 2019.

Gain on Foreign Exchange

In Q1 2019, the Company had $0.16M in foreign exchange gains on funds held in Canada compared to $Nil in Q1 2018. The increase is due to the issuance of Canadian dollar based subordinated debt offering that closed in February 2019.

Income Taxes

The Company accrued $0.08M for Federal income taxes during Q1 2019 in accordance with the IRS 280E regulations, based on gross margins net of accelerated depreciation for tax purposes. This increased from $0.02M in Q1 2018 due to higher gross margins in 2019.

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company's objective when managing its liquidity and capital resources is to generate enough cash to fund the Company's operating and organic growth opportunities. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity capital to strengthen its financial position and to provide enough working capital for growth and development of its business. The Company also evaluates equity capital and debt placement to finance the capital expenditures needed to expand its production capacity for future sales growth.

The Company raised $17.96M from the convertible debentures offering in Q1 2019. Cash from operations used $4.13M in Q1 2019. The Company spent $1.06M on operating equipment and leasehold improvements to expand capacity, increase efficiency and prepare for new product lines. An additional $1.12M was added to capital expenditures for the right of use of leased production facilities according to IFRS 16. The cash balance on hand increased from $13.18M in Q1 2019 to $35.58M.

The Company expects to finance its operations and capital expenditures through the issuance of Subordinate Voting Shares (as defined herein), Proportionate Voting Shares (as defined herein) or Subordinated Debt until such time the Company generates enough sales growth and profitability to fund its operations. The Company's ability to reach profitability is dependent on the successful implementation of its business strategy. While management is confident in the success and profitability of the business, there can be no assurance that the Company will gain adequate acceptance for its products or be able to generate enough gross margins to reach profitability.

As of March 31, 2019, the Company had $35.58M cash and net working capital of $37.30M.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS BETWEEN RELATED PARTIES

During the three months ended March 31, 2019, the Company paid compensation to certain key management personnel (officers and directors) in the amount of $221,814 consisting of $173,397 salary and benefits and $48,417 share-based compensation (2018 - $13,846).

The Company borrowed $600,000 during 2016 and 2017 from the Chairman Craig Heimark to fund its operations. The loan was repaid on August 16, 2018 along with $33,219 in accrued interest for 2018.

OUTSTANDING SHARE DATA

The Company's authorized share capital is:

1. an unlimited number of common shares ("Subordinate Voting Shares");
2. an unlimited number of Class A common shares ("Proportionate Voting Shares");
3. an unlimited number of Class B preferred shares ("Class B Subordinate Voting Preferred Shares"), including:
    a. a maximum of 4,000,000 Series Seed preferred shares ("Series Seed Subordinate Voting Preferred Shares");
    b. a maximum of 2,173,913 Series Seed-1 preferred shares ("Series Seed-1 Subordinate Voting Preferred Shares");
    c. a maximum of 3,500,000 Series A preferred shares ("Series A Subordinate Voting Preferred Shares");
    d. a maximum of 6,000,000 Series B-1 preferred shares ("Series B-1 Subordinate Voting Preferred Shares"); and
    e. a maximum of 6,535,950 Series B-3 preferred shares ("Series B-3 Subordinate Voting Preferred Shares"); and
4. an unlimited number of Class C preferred shares ("Class C Proportionate Voting Preferred Shares"), including:
    a. a maximum of 15,000 Series B-2 preferred shares ("Series B-2 Proportionate Voting Preferred Shares"); and
    b. a maximum of 65,360 Series B-3A preferred shares ("Series B-3A Proportionate Voting Preferred Shares").

As of the date of this MD&A, the Company has the following securities issued and outstanding:

Securities	**Expiry Date**	**Exercise Price**	**Number of Securities Outstanding**
Subordinate Voting Shares	N/A	N/A	32,973,886
Proportionate Voting Shares	N/A	N/A	100,919
Options Proportionate Voting Shares	July 2022 - 2023	CAD$35.39 - CAD$563.48	15,117
Options Subordinate Voting Shares	July 2022	$0.27	150,000
Options Subordinate Voting Shares	April 30, 2029	CAD$4.59	1,566,874
RSA/RSU Subordinate Voting Shares	N/A	N/A	36,546
RSU Subordinate Voting Shares	October 31, 2020	CAD$4.59	212,389
Agents' Warrants from IPO	October 25, 2020	CAD$3.25	215,536
Agents' Warrants from Subordinated Debt	February 28, 2021	CAD$8.00	100,823
Warrants from Subordinated Debt	February 28, 2021	CAD$8.00	1,925,000
Total			**37,297,090**

FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2019	December 31, 2018
Loans and receivables:	**$**	$
Cash	**35,575,963**	22,398,587
Trade receivables	**2,436,239**	1,379,066
Deposit (non-current)	**142,901**	586,354
	38,155,103	24,364,007

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2019	December 31, 2018
Non-derivative financial liabilities:	**$**	$
Accounts payable and accrued liabilities	**2,529,525**	2,009,412
Income taxes payable	**230,738**	155,714
Lease liability	**1,258,655**	-
	4,018,918	2,165,126

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of Company's financial assets and liabilities as at March 31, 2019 and December 31, 2018 approximate their fair value due to their short terms to maturity.

FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and trade receivables. The Company has no significant concentration of credit risk arising from operations. Cash are held with reputable banks in the United States which are closely monitored by management. Trade receivables are estimated assessed by the Company's management based on prior experience and an assessment of the current economic environment. Management believes that the credit risk concentration with respect to financial instruments included in cash and trade receivables is insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. Management believes that the foreign exchange risk concentration with respect to financial instruments is insignificant.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rate. The Company is exposed to interest rate risk on its cash and debt instruments and has determined there is no material exposure related to interest rate risk.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the combined financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the valuation of inventory, the useful lives and the recoverability of the carrying value of property and equipment, the fair value measurements for financial instruments, the fair value measurement of share-based payments, and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

New standard IFRS 16 "Leases"

In January 2016, the IASB published a new accounting standard, IFRS 16 - Leases ("IFRS 16"). This new standard replaces IAS 17 - Leases and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The Company has adopted IFRS 16 as the standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. As a result of the adoption on January 1, 2019, the Company recognized right-of-use assets of $1.49M and accumulated depreciation of $0.34M pertaining to leases of manufacturing facilities, along with a corresponding $1.26M lease liability and $0.10M reduction of retained earnings.

STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable to the Company have been excluded from this note. Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable to the Company have been excluded from this note.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward- looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. Forward- looking statements contained in this MD&A are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to, those described under the headings "Financial Risk Management" and "Risk Factors" in this MD&A. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; ability to fund future operating costs, and timing for future research and development of the Company's current and future technologies, including the costs and potential impact of complying with existing and proposed laws and environmental regulations; management's outlook regarding generation of revenues; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility of the Company's products; and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

RISK FACTORS

Investing in the Company involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Company currently believes to be material, but they are not the only ones that the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently consider not to be material, occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company could decline, and an investor could lose part or all of such investor's investment.

Risks Related to the Company

The Company is an early stage company with limited operating history, a history of losses and the Company cannot assure profitability.

As the Company has only just begun to generate revenue, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Company operates in the cannabis industry, which is rapidly transforming. There is no guarantee that the Company's products or services will continue to be attractive to existing and potential consumers.

The Company has undergone numerous corporate restructurings containing provisions that could disadvantage the Company.

The Company (including without limitation Plus Cooperative, Plus Delaware and Plus Nevada) has undergone numerous restructurings, including the acquisition by Plus Delaware of the assets of Plus Collective, the Plus Merger between Plus Delaware and Plus Nevada, and the Securities Exchange Agreement between Plus Nevada and the Company, and, as a result of such activities, the former members of Plus Collective and the current and/or former shareholders of the Company may assert claims against the Company in connection with these restructurings based on the Company's failure to comply with all applicable requirements.

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

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

The Company has negative cash flow for the year ended December 31, 2018 and quarter ended March 31, 2019.

The Company had negative operating cash flow for the year ended December 31, 2018 and quarter ended March 31, 2019. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favorable to the Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

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

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Reliance on a Single Production Facility

The Company's facility located in Adelanto, California is currently the Company's only licensed facility under MMRSA and the license is specific to the Adelanto Facility. Adverse changes or developments affecting the Adelanto Facility, including but not limited to a breach of security, could have a material and adverse effect on the Company'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 California regulators also have an impact on the Company's ability to continue operating under the Adelanto License, the prospect of renewing the Adelanto License or of obtaining additional licenses. The Adelanto Facility continues to operate with routine maintenance, however the building does have components that require replacement or repair. The Company will bear many of the costs of maintenance and upkeep at the Adelanto Facility. The Company's operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements. Certain contemplated site expansions and renovations may require approval from California regulators in order to continue. There is no guarantee that any contemplated expansion and/or renovation will be approved, which could adversely affect the business, financial condition and results of operations of the Company.

There are factors which may prevent the Company from realizing its growth targets.

The Company's growth strategy contemplates expansion of its current manufacturing operations. There is a risk that this will not be achieved on time, on budget, or at all, as it 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;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors and delays;
- delays in securing necessary facilities and equipment;
- operational inefficiencies;
- labor disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions or storms.

Nature of the Business Model

The primary business of the Company (through one or more operating companies owned by the Company) is intended to be the manufacturing and distribution of cannabis edibles. Because the production and sale of recreational cannabis remain illegal under federal law, it is possible that the Company may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency ("DEA") and Internal Revenue Service ("IRS"), has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down a tenant's operations will have an adverse effect on the Company's business, operating results and financial condition.

If the Company is unable to develop and market new products, it may not be able to keep pace with market developments.

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Company may not be successful in developing new products, bringing such products to market or gaining market acceptance for its products, which together with capital expenditures made in relation to such product development, may have a material adverse effect on the Company's business, financial condition and results of operations.

There is no assurance that the Company will retain any relevant licenses nor obtain new licenses or approvals that may be required for the Company's business and future plans.

The Company's ability to operate its business in California is dependent on the ability of the Company to retain its licenses from the State of California Department of Public Health Manufactured Cannabis Safety Branch. Licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company. There is also no assurance of new licenses or approvals from the State of California Department of Public Health Manufactured Cannabis Safety Branch.

The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing, documentation and periodic reporting that may be required by governmental authorities. Any delays in obtaining, or failure to obtain or retain the necessary regulatory approvals will significantly delay the development of the Company's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

There is no assurance that the Company will retain its distribution arrangement with Calyx.

The Company arranges for substantially all of its commercial sales through a single licensed distributor, Calyx Brands, Inc. ("Calyx"). While the Company is not precluded by the terms of its arrangement with Calyx from utilizing alternative distribution arrangements with one of more licensed distributors within California, any disruption or cessation of its arrangement with Calyx could adversely impact the timing and volume the Company's current sales, cause the exclusion from certain retail accounts of the Company products, any of which may have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products. As of the current date, the Company has a small amount of insurance coverage for product liabilities.

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

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Subordinate Voting Shares may significantly decrease.

The Company may be subject to additional regulatory burden resulting from its public listing on the CSE.

The Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be sufficient to allow us to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

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

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

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

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions there from, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

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

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

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

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

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

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

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

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

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

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

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

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

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

The Company's directors, officers and employees may be considered inadmissible to enter the United States.

A traveler to the United States may be considered an "illicit trafficker" under U.S. law and therefore could be considered inadmissible if they are involved in the cannabis industry. There have been reports in 2018 of business travelers working in the cannabis industry who have been denied entry and in some cases received lifetime bans from the United States. The Company's business and investments are located in the United States and while the majority of the Company's directors, officers and employees are currently resident and located in the United States, if any of the Company's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Company's ability to operate in the United States. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the United States could make it more difficult for the Company to continue to retain and engage qualified directors, officers and employees in the future.

Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition.

The Company expects to grow by acquiring businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

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

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

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

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

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

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

financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

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

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

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

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

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

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

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

Although certain officers and board members of the Company are expected to be bound by anticircumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of the Company and Plus Nevada) may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

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

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

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition of the Company.

In particular, adverse publicity reports or other media attention regarding the safety and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. Although the Company believes that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on the financial condition and results of operations of the Company.

No guarantee on the use of available funds by the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of available funds. Accordingly, a shareholder of the Company will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning

management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the proceeds in a manner that does not produce income or that loses value.

Currency Fluctuations.

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risk Factors Specifically Related to the United States Regulatory System

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Some of the Company's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law.

While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, investors are

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

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares.

In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company intends to lease real estate, provide material supply agreement, and provide intellectual property to a licensed "marijuana producer" and "marijuana processor" in Washington State. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

The enforcement of relevant laws is a significant risk.

Thirty-three of the states in the U.S. and the District of Columbia have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, cannabis-related operations and investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the Company's operations in the U.S. along with any future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's operations and potential future investments in the U.S.

For the reasons set forth above, the Company's existing interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have cannabis-related operations and/or investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Subordinate Voting Shares to make and settle trades. In particular, the Subordinate Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

The Company's activities and operations in the U.S. are, and will continue to be, subject to evolving regulation by governmental authorities. The Company will be directly engaged in the medical and recreational cannabis industry in the California, where local state law permits such activities.

The Company's operations are exclusively focused in California, a state that has legalized the recreational use of cannabis. Currently, the states of Alaska, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, Washington and the District of Columbia have also legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, former U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

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

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a Staff Notice 51-352 setting out the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue future investment and opportunities in the U.S.

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

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

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

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors:

- The Company operates in the cannabis sector in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the *Internal Revenue Code*, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;
- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Company will be able to maintain its existing accounts or obtain new accounts in the future; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

The Company's investments and operations in the United States may be subject to heightened scrutiny.

For the reasons set forth above, the Company's existing investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Subordinate Voting Shares to make and settle trades. In particular, the Subordinate Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis 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 cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it decide to do so. The Company's inability to expand its operations into other jurisdictions may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations*, investors are cautioned that in the U.S., cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, may be in violation of federal law in the U.S..

As previously stated, the United States Congress has passed the Leahy Amendment each of the last four years to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. The 2018 *Consolidated Appropriations Act* was passed by Congress on March 23, 2018 and included the re-authorization of the Leahy Amendment. It will continue in effect until September 30, 2018, the last day of fiscal year 2018.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Leahy Amendment in the 2019 budget resolution, or by failing to pass necessary budget legislation and causing another government shutdown, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

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

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

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

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

The Company's business activities rely on newly established and/or developing laws and regulations in Washington State. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The

cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, Washington State or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

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

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration.
In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

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

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

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

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

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

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the Controlled Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Controlled Substances Act. The Company may also be exposed to the foregoing risks.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Related to the Company's Securities

It may be difficult, if not impossible, for U.S. holders of the Subordinate Voting Shares to resell them over the CSE.

It has recently come to management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related 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 U.S. Accordingly, U.S. residents who acquire the Subordinate Voting Shares as "restricted securities" (including any Subordinate Voting Shares pursuant to the conversion of Proportionate Voting Shares or the exercise of Options or 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 U.S. will have on the ability of U.S. residents to resell any Subordinate Voting Shares of the Company that they may acquire in open market transactions.

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

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

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

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

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

The Company is subject to uncertainty regarding legal and regulatory status and changes.

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the US is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company does not anticipate paying cash dividends.

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

Future sales of Subordinate Voting Shares by existing shareholders could reduce the market price of the Subordinate Voting Shares.

Sales of a substantial number of Subordinate Voting Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Subordinate Voting Shares intend to sell Subordinate Voting Shares, could reduce the market price of the Subordinate Voting Shares. Additional Subordinate Voting Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Subordinate Voting Shares. Holders of options or warrants will have an immediate income inclusion for tax purposes when they exercise their options or warrants (that is, tax is not deferred until they sell the underlying Subordinate Voting Shares). As a result, these holders may need to sell Subordinate Voting Shares purchased on the exercise of Options, Warrants or Agents' Warrants in the same year that they exercise their options. This might result in a greater number of Subordinate Voting Shares being sold in the public market, and fewer long-term holds of Subordinate Voting Shares by the Company's management and employees.